

TOWN OF NORTON, MASSACHUSETTS

Report on the Examination of Basic Financial Statements

For the Year Ended June 30, 2017

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Norton, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Norton, Massachusetts, as of and for the fiscal year ended June 30, 2017, 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, 2017, 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 January 26, 2018, 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

January 26, 2018

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, 2017. 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 \$44,819,010 (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 \$43,715,650 or an increase of \$1,103,360 (3%).
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$24,730,156, an increase of \$6,181,281 (33%).
- The General Fund's total fund balance increased \$3,068,759 (41%) to \$10,537,146. The ending General fund balance is 17% of revenues, transfers in and sale of tax foreclosure property; and 18% of expenditures and transfers out.
- The total liabilities of the Town increased by \$2,655,662 (3%) to \$82,834,119 during the fiscal year. This was mainly attributed to a net increase in net bonds and leases payable of \$3,821,848 and in the other post employment benefit (OPEB) liability of \$3,763,950, and a decrease in bond anticipation notes payable of \$4,544,898.
- The Town had General Fund free cash certified by the Department of Revenue in the amount of \$4,829,333. The key factors that attributed to the free cash amount for fiscal year 2017 were unexpended/unencumbered appropriations of \$1,359,000, excess over budget state and local receipts of \$3,076,700, excess over budget other financing sources of \$312,700 (mainly due to the sale of foreclosure properties) and prior year free cash not appropriated of \$255,400.
- The Town's enterprise funds certified free cash are as follows:
 - Sewer fund \$ 1,021,496.
 - Water fund \$ 3,652,023.

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		
	2017	2016	Change
Assets:			
Current assets	\$ 29,321,211	\$ 25,722,235	\$ 3,598,976
Noncurrent assets (excluding capital assets)	579,736	823,934	(244,198)
Capital assets	64,585,450	66,415,106	(1,829,656)
Total assets	94,486,397	92,961,275	1,525,122
Deferred Outflows of Resources:			
Deferred outflows related to pensions	4,054,549	4,513,022	(458,473)
Liabilities:			
Current liabilities (excluding debt and leases)	1,915,650	2,044,770	(129,120)
Current debt including leases	1,963,572	4,844,342	(2,880,770)
Noncurrent liabilities (excluding debt and leases)	48,417,280	45,046,212	3,371,068
Noncurrent debt including leases	16,696,913	15,460,143	1,236,770
Total liabilities	68,993,415	67,395,467	1,597,948
Deferred Inflows of Resources:			
Deferred outflows related to pensions	518,422	1,263,500	(745,078)
Net Position:			
Net investment in Capital assets	47,007,766	47,321,508	(313,742)
Restricted	12,948,831	13,009,037	(60,206)
Unrestricted	(30,927,488)	(31,515,215)	587,727
Total net position	\$ 29,029,109	\$ 28,815,330	\$ 213,779

	Business-Type Activities		
	2017	2016	Change
Assets:			
Current assets	\$ 7,820,018	\$ 6,796,414	\$ 1,023,604
Capital assets	21,573,574	20,669,093	904,481
Total assets	29,393,592	27,465,507	1,928,085
Deferred Outflows of Resources:			
Deferred outflows related to pensions	271,761	302,491	(30,730)
Liabilities:			
Current liabilities (excluding debt)	369,112	338,859	30,253
Current debt	903,307	2,248,778	(1,345,471)
Noncurrent liabilities (excluding debt)	2,316,864	2,210,353	106,511
Noncurrent debt	10,251,421	7,985,000	2,266,421
Total liabilities	13,840,704	12,782,990	1,057,714
Deferred Inflows of Resources:			
Deferred outflows related to pensions	34,748	84,688	(49,940)
Net Position:			
Net Investment in Capital Assets	10,418,846	10,435,315	(16,469)
Restricted	1,181,110	1,157,473	23,637
Unrestricted	4,189,945	3,307,532	882,413
Total net position	\$ 15,789,901	\$ 14,900,320	\$ 889,581

Statement of Activities Highlights

	Governmental Activities		
	2017	2016	Change
Program Revenues:			
Charges for services	\$ 6,024,419	\$ 4,293,976	\$ 1,730,443
Operating grants and contributions	22,658,255	20,670,498	1,987,757
Capital grants and contributions	557,984	666,634	(108,650)
General Revenues:			
Property taxes	33,841,616	32,350,338	1,491,278
Motor vehicle excise and other taxes	2,923,319	2,786,317	137,002
Hotel room occupancy and meals taxes	348,246	331,871	16,375
Penalties and interest on taxes	262,509	292,505	(29,996)
Nonrestricted grants	2,176,960	2,003,331	173,629
Unrestricted investment income	471,591	966,166	(494,575)
Gain/(Loss) on Sale of Capital Assets	247,155	-	247,155
Miscellaneous	24,228	12,639	11,589
Total revenues	69,536,282	64,374,275	5,162,007
Expenses:			
General government	2,148,426	2,129,081	19,345
Public safety	9,114,657	8,783,783	330,874
Public works	1,819,824	1,624,744	195,080
Education	33,287,304	32,606,685	680,619
Health and human services	670,022	633,498	36,524
Culture and recreation	579,955	525,555	54,400
Employee benefits and insurance	19,595,972	18,305,169	1,290,803
State assessments	1,978,353	2,181,292	(202,939)
Interest	580,908	584,763	(3,855)
Total expenses	69,775,421	67,374,570	2,400,851
Contributions to permanent funds	6,400	3,600	2,800
Transfers	446,518	346,451	100,067
Change in net position	213,779	(2,650,244)	2,864,023
Net position - beginning of year	28,815,330	31,465,574	(2,650,244)
Net position - end of year	\$ 29,029,109	\$ 28,815,330	213,779

	Business-Type Activities		
	2017	2016	Change
Program Revenues:			
Charges for services	\$ 5,126,042	\$ 4,886,019	\$ 240,023
Operating grants and contributions	13,145	12,338	807
Total revenues	5,139,187	4,898,357	240,830
Expenses:			
Sewer	1,208,342	1,114,240	94,102
Water	2,594,746	2,516,529	78,217
Total expenses	3,803,088	3,630,769	172,319
Transfers	(446,518)	(346,451)	(100,067)
Change in net position	889,581	921,137	(31,556)
Net position - beginning of year	14,900,320	13,979,183	921,137
Net position - end of year	\$ 15,789,901	\$ 14,900,320	\$ 889,581

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 \$44,819,010 at the close of fiscal year 2017.

Net position of \$57,426,612 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, \$14,129,941, represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of *unrestricted net position* (\$26,737,543).

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 increased by \$213,779 (1%) during the current fiscal year. The key elements of the increase in net position for fiscal year 2017 was attributed to the results of the General fund and Nonmajor Governmental funds' operations during the fiscal year of \$6,181,281, and decreases resulting from the depreciation expense (normally spread out over the useful life of the asset) for the year of \$3,032,310 and sale of capital assets of \$65,428 exceeding the acquisition of \$1,268,082 in new capital assets, the net change in debt and leases of \$1,412,120 and in recognizing the net change in this year's OPEB obligation of \$3,649,728.

There was an increase of \$889,581 (6%) in net position reported in connection with the sewer and water business-type activities. Of this, there were increases of \$264,662 attributed to the sewer department and \$624,919 attributed to the water department.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$24,730,156, an increase of \$6,181,281 (33%) in comparison with the prior year.

Breakdown of the governmental funds are as follows:

- Nonspendable fund balance – \$271,600 (1%).
- Restricted fund balance – \$11,952,700 (48%).
- Committed fund balance – \$1,968,710 (8%).
- Assigned fund balance – \$2,954,792 (12%).
- Unassigned fund balance – \$7,582,354 (31%).

At the end of the fiscal year, the General Fund reported a total fund balance of \$10,537,146 increasing \$3,068,759 (41%) from the prior year. Of the \$10,537,146, the unassigned amount is \$7,582,354 (72%) and the assigned amount is \$2,954,792 (28%). General fund revenues were \$4,712,003 (8%) more than the prior fiscal year while expenditures also increased by \$3,019,914 (5%). Other activity in the General Fund consisted of net transfers from other funds of \$1,286,036 and the sale of tax foreclosure property of \$312,583.

The main components of the increases in general fund revenues as compared to the prior year related to increases in property taxes in the amount of \$1,255,933 (4%), in licenses, permits and fees of \$1,425,643 (104%) (mainly in inspection permits for a large construction project) and in intergovernmental – “on behalf” payments of \$1,730,608 (41%).

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

- Increase in Public safety expenditures of \$582,533 (8%).
- Increase in Education expenditures of \$632,162 (2%).
- Increase in Employee benefits and insurance of \$1,955,756 (14%).

The *Cyrus Hicks fund* is the accumulation of resources over many years and has a balance of \$8,191,027 at the end of the fiscal year. The fund balance increased by \$261,947 (3%). This amount was attributed to interest of \$673,104, unrealized gain/(loss) of (\$279,138), expenditures of \$8,519 and transfers to the general fund of \$100,000 and nonmajor governmental funds of \$23,500.

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

Major Proprietary Fund

The *Sewer Fund* has accumulated a fund balance of \$4,315,872 used in the financing and operations of the Town's sewer system. The sewer fund shows an increase of \$264,662 (6%) in total operations. This change was mainly attributed to operating revenues exceeding operating expenses by \$343,726, interest income of \$2,358, interest expense of \$16,335 and transfers out to the general fund of \$65,087. Operating revenues increased by \$129,791 (9%) while operating expenses also increased by \$77,767 (7%) from the prior year.

The *Water Fund* has accumulated a fund balance of \$11,474,029 used in the financing and operations of the Town's water system. The water fund shows an increase of \$624,919 (6%) in total operations. This change resulted from operating revenues exceeding operating expenses by \$1,329,264, interest income of \$10,787, interest expense of \$333,701 and transfers out to the general fund of \$381,431. Operating revenues increased by \$108,022 (3%) while operating expenses also increased by \$105,780 (5%) from the prior year.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2017 was \$56,821,923. This was an increase of \$2,081,722 (4%) over the previous year's budget.

There was an increase of \$1,414,210 between the original budget and the total final amended budget. The change is attributed to votes made at the Special Town Meetings in October 2016 and May 2017 for various budget operating line items.

General fund expenditures were less than budgeted by \$3,044,568. Of the \$3,044,568 in under budget expenditures, \$1,685,592 has been carried over to fiscal year 2018.

There is a negative variance in interest and penalties on taxes of \$12,491 as receipts did not meet the budget expectations.

Overall the variance with the final budget was a positive \$4,603,702 consisting of a revenue surplus of \$3,244,726 and an appropriation surplus of \$1,358,976.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities amounts to \$64,585,450 and \$21,573,574, 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:

- Dam improvements for \$480,340.
- Rail Trail design and improvements for \$105,490.
- Electric car purchases for \$58,500.
- Police vehicle purchases for \$141,642.
- Animal Control vehicle purchase for \$27,516.
- Highway vehicle purchase for \$36,361.
- Road improvements/infrastructure for \$318,689.
- Schools' vehicle purchases for \$99,544.

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

In the Sewer Fund:

- Sewer infrastructure improvements for \$1,514,781.

In the Water Fund:

- Water vehicle purchases for \$175,887.

Debt Administration. The Town's outstanding governmental long-term debt, as of June 30, 2017, totaled \$18,304,692, of which \$13,025,000 is for various school building renovations, \$675,000 is for various land acquisitions, \$875,000 is for sewer projects, \$630,000 for the water management projects, \$579,393 is for the building improvements, \$80,000 is for departmental vehicles and equipment, \$480,000 is for a rail trail project, \$878,000 is for Dam improvements, \$267,000 is for landfill capping and \$815,299 is for the Title V septic loan projects.

The business-type funds outstanding long-term debt totaling \$11,154,728 consists of \$3,169,728 in sewer debt and \$7,985,000 which relates to water projects that are fully supported by the rates.

The Town has capital governmental leases for financing the acquisition of a fire truck, highway vehicles and equipment and school vehicles. The last lease is due in 2020. The Town currently owes \$375,634 on these leases consisting of \$355,793 in principal and \$19,841 in interest.

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

Next Year's Annual Town Meeting

The Town of Norton operates under the "Open Meeting" concept where each voter has an equal vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2017 do not reflect the fiscal year 2018 Town Meeting action except for the free cash and capital stabilization fund amounts used to fund the 2018 budget. The Annual Town Meeting on May 8, 2017 authorized a fiscal year 2018 operating and capital budget as follows:

From the tax levy		\$	52,530,227
From sewer receipts			1,338,154
From water receipts	\$	3,331,276	
From water retained earnings		<u>133,000</u>	3,464,276
From Other Available Funds:			
General Fund:			
Unassigned fund balance:			
Free cash			600,000
Capital improvement stabilization fund			669,200
Cyrus Hicks fund			100,000
Non-major Governmental Funds:			
Ambulance fund		1,067,000	
Dog fund		10,000	
Premium on Sale of Bonds		19,339	
Septic repair program funds		60,000	
Wetlands protection fund		<u>5,000</u>	1,161,339
			<u>\$</u> <u>59,863,196</u>

Requests for Information

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

BASIC FINANCIAL STATEMENTS

TOWN OF NORTON, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 15,214,119	\$ 6,191,114	\$ 21,405,233
Investments	10,230,011	-	10,230,011
Receivables, net of allowance for uncollectibles:			
Property Taxes	647,631	-	647,631
Deferred Property Taxes	59,055	-	59,055
Tax Liens	643,815	-	643,815
Taxes in Litigation	1,092	-	1,092
Excise Taxes	381,399	-	381,399
User Charges	-	1,430,553	1,430,553
Departmental	274,247	-	274,247
Special Assessments	86,674	-	86,674
Due from Other Governments	1,783,168	198,351	1,981,519
Total current assets	29,321,211	7,820,018	37,141,229
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special Assessments	352,836	-	352,836
Due from Other Governments	226,900	-	226,900
Capital Assets, net of accumulated Depreciation			
Nondepreciable	9,248,234	2,779,346	12,027,580
Depreciable	55,337,216	18,794,228	74,131,444
Total noncurrent assets	65,165,186	21,573,574	86,738,760
Total Assets	94,486,397	29,393,592	123,879,989
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	4,054,549	271,761	4,326,310
LIABILITIES			
CURRENT:			
Warrants and Accounts Payable	94,558	148,378	242,936
Accrued Payroll	478,560	30,309	508,869
Payroll Withholdings	429,936	-	429,936
Accrued Interest	81,655	131,231	212,886
Other	123,955	-	123,955
Compensated Absences	706,986	59,194	766,180
Bonds and Leases Payable	1,963,572	903,307	2,866,879
Total current liabilities	3,879,222	1,272,419	5,151,641
NONCURRENT:			
Compensated Absences	1,379,442	60,278	1,439,720
OPEB Obligation Payable	25,420,879	807,681	26,228,560
Net Pension Liability	21,616,959	1,448,905	23,065,864
Bonds and Leases Payable	16,696,913	10,251,421	26,948,334
Total noncurrent liabilities	65,114,193	12,568,285	77,682,478
Total Liabilities	68,993,415	13,840,704	82,834,119
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	518,422	34,748	553,170
NET POSITION			
Net Investment in Capital Assets	47,007,766	10,418,846	57,426,612
Restricted for:			
Capital Projects	1,213,519	1,181,110	2,394,629
Federal & State Grants	1,523,155	-	1,523,155
Permanent Funds:			
Expendable	87,316	-	87,316
Nonexpendable	271,600	-	271,600
Other Purposes	9,853,241	-	9,853,241
Unrestricted	(30,927,488)	4,189,945	(26,737,543)
Total Net Position	\$ 29,029,109	\$ 15,789,901	\$ 44,819,010

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, 2017**

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 2,148,426	\$ 326,587	\$ 123,684	\$ -	\$ (1,698,155)	\$ -	\$ (1,698,155)
Public Safety	9,114,657	4,068,998	200,376	-	(4,845,283)	-	(4,845,283)
Public Works	1,819,824	26,431	10,143	557,984	(1,225,266)	-	(1,225,266)
Education	33,287,304	1,449,844	16,014,568	-	(15,822,892)	-	(15,822,892)
Health and Human Services	670,022	115,127	190,029	-	(364,866)	-	(364,866)
Culture and Recreation	579,955	37,432	35,734	-	(506,789)	-	(506,789)
Employee Benefits and Insurance	19,595,972	-	6,044,274	-	(13,551,698)	-	(13,551,698)
State Assessments	1,978,353	-	-	-	(1,978,353)	-	(1,978,353)
Interest	580,908	-	39,447	-	(541,461)	-	(541,461)
Total Governmental Activities	69,775,421	6,024,419	22,658,255	557,984	(40,534,763)	-	(40,534,763)
Business-Type Activities:							
Sewer	1,208,342	1,535,733	2,358	-	-	329,749	329,749
Water	2,594,746	3,590,309	10,787	-	-	1,006,350	1,006,350
Total Primary Government	\$ 73,578,509	\$ 11,150,461	\$ 22,671,400	\$ 557,984	(40,534,763)	1,336,099	(39,198,664)
General Revenues:							
Property Taxes					33,841,616	-	33,841,616
Motor vehicle and other taxes					2,923,319	-	2,923,319
Hotel room occupancy and meal taxes					348,246	-	348,246
Penalties & Interest on taxes					262,509	-	262,509
Grants & Contributions not restricted to specific programs					2,176,960	-	2,176,960
Unrestricted Investment Income					471,591	-	471,591
Gain on Sale of Capital Assets					247,155	-	247,155
Miscellaneous					24,228	-	24,228
Contributions to Permanent Funds					6,400	-	6,400
Transfers, net					446,518	(446,518)	-
Total General Revenues, Contributions and Transfers					40,748,542	(446,518)	40,302,024
Change in Net Position					213,779	889,581	1,103,360
Net Position:							
Beginning of year					28,815,330	14,900,320	43,715,650
End of year					\$ 29,029,109	\$ 15,789,901	\$ 44,819,010

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

TOWN OF NORTON, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Cyrus Hicks Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 9,359,527	\$ -	\$ 5,854,592	\$ 15,214,119
Investments	2,038,984	8,191,027	-	10,230,011
Receivables, net of allowance for uncollectibles:				
Property Taxes	647,631	-	-	647,631
Deferred Property Taxes	59,055	-	-	59,055
Tax Liens	643,815	-	-	643,815
Taxes in Litigation	1,092	-	-	1,092
Excise Taxes	381,399	-	-	381,399
Departmental	-	-	274,247	274,247
Special Assessments	215,403	-	224,107	439,510
Due from Other Governments	191,062	-	1,532,888	1,723,950
Total Assets	\$ 13,537,968	\$ 8,191,027	\$ 7,885,834	\$ 29,614,829
Liabilities:				
Warrants and Accounts Payable	\$ 57,075	\$ -	\$ 37,483	\$ 94,558
Accrued Payroll	383,339	-	95,221	478,560
Payroll Withholdings	429,936	-	-	429,936
Other	123,955	-	-	123,955
Total Liabilities	994,305	-	132,704	1,127,009
Deferred Inflows of Resources:				
Unavailable Revenue	2,006,517	-	1,751,147	3,757,664
Fund Balance:				
Non-Spendable	-	-	271,600	271,600
Restricted	-	8,191,027	3,761,673	11,952,700
Committed	-	-	1,968,710	1,968,710
Assigned	2,954,792	-	-	2,954,792
Unassigned	7,582,354	-	-	7,582,354
Total Fund Balance	10,537,146	8,191,027	6,001,983	24,730,156
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 13,537,968	\$ 8,191,027	\$ 7,885,834	\$ 29,614,829

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, 2017

	General Fund	Cyrus Hicks Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 33,721,783	\$ -	\$ -	\$ 33,721,783
Intergovernmental	15,181,741	-	3,504,873	18,686,614
Excise and Other Taxes	3,209,577	-	-	3,209,577
Charges for Services	-	-	3,476,275	3,476,275
Licenses, Permits, Fees	2,794,260	-	-	2,794,260
Interest and Penalties on Taxes	262,509	-	-	262,509
Investment Income	77,625	393,966	661	472,252
Gifts and Donations	-	-	117,503	117,503
Other	-	-	18,880	18,880
Intergovernmental - "On-behalf" Payments	5,999,184	-	-	5,999,184
Total Revenues	61,246,679	393,966	7,118,192	68,758,837
Expenditures:				
Current:				
General Government	1,995,854	8,519	782,008	2,786,381
Public Safety	8,062,016	-	943,635	9,005,651
Public Works	1,146,161	-	502,206	1,648,367
Education	27,098,538	-	4,529,644	31,628,182
Health and Human Services	560,470	-	56,747	617,217
Culture and Recreation	405,731	-	114,298	520,029
Employee Benefits and Insurance	16,275,481	-	-	16,275,481
State Assessments	1,978,353	-	-	1,978,353
Debt Service:				
Principal	1,661,535	-	-	1,661,535
Interest	592,400	-	-	592,400
Total Expenditures	59,776,539	8,519	6,928,538	66,713,596
Excess of Revenues Over (Under) Expenditures	1,470,140	385,447	189,654	2,045,241
Other Financing Sources (Uses):				
Operating Transfers In	1,293,258	-	30,722	1,323,980
Operating Transfers Out	(7,222)	(123,500)	(746,740)	(877,462)
Sale of Tax Foreclosure Property	312,583	-	-	312,583
Capital Lease	-	-	99,544	99,544
Bond Premium	-	-	91,395	91,395
Proceeds from Bonds and Notes	-	-	3,186,000	3,186,000
Total Other Financing Sources (Uses)	1,598,619	(123,500)	2,660,921	4,136,040
Net Change in Fund Balances	3,068,759	261,947	2,850,575	6,181,281
Fund Balances, Beginning of Year	7,468,387	7,929,080	3,151,408	18,548,875
Fund Balances, End of Year	\$ 10,537,146	\$ 8,191,027	\$ 6,001,983	\$ 24,730,156

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, 2017

Total Governmental Fund Balances		\$ 24,730,156
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.		64,585,450
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.		4,043,782
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.		3,536,127
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	\$ (18,660,485)	
Other Post Employment Benefits Payable	(25,420,879)	
Net Pension Liability	(21,616,959)	
Compensated Absences	(2,086,428)	(67,784,751)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due.		(81,655)
Net Position of Governmental Activities		<u><u>\$ 29,029,109</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, 2017

Net Change in Fund Balances - Total Governmental Funds **\$ 6,181,281**

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	\$ 1,268,082	
Sale of Capital Assets	(65,428)	
Depreciation	<u>(3,032,310)</u>	(1,829,656)

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. 320,691

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	1,873,424	
Capital Lease Financing	(99,544)	
Proceeds from Bonds and Notes	<u>(3,186,000)</u>	(1,412,120)

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	137,978	
Net Change in Other Post Employment Benefits	(3,649,728)	
Net Change in Net Pension Liability	167,236	
Net Change in Deferred Outflow/(Inflow) of Resources Related to Pensions	286,605	
Net Change in Accrued Interest on Long-Term Debt	<u>11,492</u>	(3,046,417)

Change in Net Position of Governmental Activities **\$ 213,779**

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, 2017

	Budgeted Amounts				Amounts Carried Forward to Next year	Variance with Final Budget Positive (Negative)
	Amounts Carried Forward from Prior Year	Original Budget	Final Budget	Actual Budgetary Basis		
Revenues:						
Property Taxes	\$ -	\$ 33,469,779	\$ 33,619,779	\$ 33,787,783	\$ -	\$ 168,004
Intergovernmental	-	14,976,155	14,976,155	15,181,741	-	205,586
Excise and Other Taxes	-	2,499,000	2,499,000	3,209,577	-	710,577
Licenses, Permits, Fees	-	647,500	647,500	2,794,260	-	2,146,760
Interest and Penalties on Taxes	-	275,000	275,000	262,509	-	(12,491)
Interest on Investments	-	39,000	39,000	65,290	-	26,290
Total Revenues	-	51,906,434	52,056,434	55,301,160	-	3,244,726
Expenditures:						
Current:						
General Government	588,314	2,125,455	2,727,492	1,995,854	511,037	220,601
Public Safety	127,932	7,614,965	8,448,473	8,062,016	194,197	192,260
Public Works	89,358	1,039,547	1,241,327	1,146,161	87,790	7,376
Education	508,172	26,896,254	27,730,109	27,098,538	512,128	119,443
Health and Human Services	36,856	546,585	645,560	560,470	58,573	26,517
Culture and Recreation	430	390,700	407,817	405,731	913	1,173
Employee Benefits and Insurance	13,529	11,072,843	11,207,372	10,358,105	320,954	528,313
State Assessments	-	2,188,484	2,188,484	1,978,353	-	210,131
Debt Service:						
Principal	-	1,621,787	1,621,787	1,621,787	-	-
Interest	-	546,502	603,502	550,340	-	53,162
Total Expenditures	1,364,591	54,043,122	56,821,923	53,777,355	1,685,592	1,358,976
Excess of Revenues Over (Under) Expenditures	(1,364,591)	(2,136,688)	(4,765,489)	1,523,805	(1,685,592)	4,603,702
Other Financing Sources (Uses):						
Operating Transfers In	-	1,461,688	1,853,618	1,853,783	-	165
Operating Transfers Out	-	-	(900,000)	(900,000)	-	-
Sale of Tax Foreclosure Property	-	-	-	312,583	-	312,583
Total Other Financing Sources (Uses)	-	1,461,688	953,618	1,266,366	-	312,748
Net Change in Budgetary Fund Balance	(1,364,591)	(675,000)	(3,811,871)	\$ 2,790,171	\$ (1,685,592)	\$ 4,916,450
Other Budgetary Items:						
Free Cash and Other Reserves	-	675,000	2,447,280			
Prior Year Encumbrances	1,364,591	-	1,364,591			
Total Other Budgetary Items	1,364,591	675,000	3,811,871			
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, 2017

	Revenues	Expenditures
Reported on a Budgetary Basis	\$ 55,301,160	\$ 53,777,355
<u>Adjustments:</u>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	12,335	-
Recognition of Intergovernmental Revenue - "on behalf payments"	5,999,184	-
Recognition of Expenditures - "on behalf payments"	-	5,999,184
Net Decrease in Revenue from Recording 60-Day Receipts	(66,000)	-
Reported on a GAAP Basis	<u>\$ 61,246,679</u>	<u>\$ 59,776,539</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, 2017

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Water Fund	Total
ASSETS			
CURRENT:			
Cash and Cash Equivalents	\$ 1,202,745	\$ 4,988,369	\$ 6,191,114
User Charges, net of allowance for uncollectibles	444,747	985,806	1,430,553
Due from Other Governments	198,351	-	198,351
Total current assets	1,845,843	5,974,175	7,820,018
NONCURRENT:			
Capital Assets, net of accumulated depreciation:			
Nondepreciable	2,430,420	348,926	2,779,346
Depreciable	3,549,782	15,244,446	18,794,228
Total noncurrent assets	5,980,202	15,593,372	21,573,574
Total Assets	7,826,045	21,567,547	29,393,592
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	39,456	232,305	271,761
LIABILITIES			
CURRENT:			
Accounts Payable	18,328	130,050	148,378
Accrued Payroll	3,888	26,421	30,309
Accrued Interest	14,000	117,231	131,231
Compensated Absences	8,290	50,904	59,194
Bonds Payable	143,307	760,000	903,307
Total current liabilities	187,813	1,084,606	1,272,419
NONCURRENT:			
Compensated Absences	18,081	42,197	60,278
OPEB Obligation Payable	101,906	705,775	807,681
Net Pension Liability	210,363	1,238,542	1,448,905
Bonds Payable	3,026,421	7,225,000	10,251,421
Total noncurrent liabilities	3,356,771	9,211,514	12,568,285
Total Liabilities	3,544,584	10,296,120	13,840,704
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	5,045	29,703	34,748
NET POSITION			
Net Investment in Capital Assets	2,810,474	7,608,372	10,418,846
Restricted for Capital	315,236	865,874	1,181,110
Unrestricted	1,190,162	2,999,783	4,189,945
Total Net Position	\$ 4,315,872	\$ 11,474,029	\$ 15,789,901

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, 2017

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Water Fund	Total
Operating Revenues:			
Charges for Services	\$ 1,528,223	\$ 3,082,977	\$ 4,611,200
Other	7,510	507,332	514,842
Total Operating Revenues	1,535,733	3,590,309	5,126,042
Operating Expenses:			
Salaries & Wages	140,526	675,348	815,874
Operating Expenses	850,119	1,000,872	1,850,991
Depreciation	201,362	584,825	786,187
Total Operating Expenses	1,192,007	2,261,045	3,453,052
Operating Income (Loss)	343,726	1,329,264	1,672,990
Non-Operating Revenues (Expenses):			
Investment Income	2,358	10,787	13,145
Interest Expense	(16,335)	(333,701)	(350,036)
Total Non-Operating Revenues (Expenses)	(13,977)	(322,914)	(336,891)
Income (Loss) Before Operating Transfers	329,749	1,006,350	1,336,099
Operating Transfers:			
Transfers In/(Out)	(65,087)	(381,431)	(446,518)
Total Operating Transfers	(65,087)	(381,431)	(446,518)
Change in Net Position	264,662	624,919	889,581
Net Position at Beginning of Year	4,051,210	10,849,110	14,900,320
Net Position at End of Year	\$ 4,315,872	\$ 11,474,029	\$ 15,789,901

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, 2017**

	Business-Type Activities Enterprise Funds		
	Sewer Fund	Water Fund	Total
Cash Flows From Operating Activities:			
Receipts from Customers and Users	\$ 1,453,111	\$ 3,146,284	\$ 4,599,395
Receipts from Other Revenues	7,510	507,332	514,842
Payments to Vendors	(846,442)	(900,616)	(1,747,058)
Payments to Employees	(137,162)	(671,584)	(808,746)
Net Cash Provided by (Used for) Operating Activities	477,017	2,081,416	2,558,433
Cash Flows from Noncapital Financing Activities:			
Transfers from (to) Other Funds	(65,087)	(381,431)	(446,518)
Net Cash Provided by (Used for) Noncapital Financing Activities	(65,087)	(381,431)	(446,518)
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(1,514,781)	(175,887)	(1,690,668)
WPAT Project Drawdowns	1,674,128	-	1,674,128
Principal Payments on Bonds and Notes	(272)	(760,000)	(760,272)
Interest Expense	(2,335)	(341,208)	(343,543)
Net Cash Provided by (Used for) Capital and Related Financing Activities	156,740	(1,277,095)	(1,120,355)
Cash Flows from Investing Activities:			
Investment Income	2,358	10,787	13,145
Net Cash Provided by (Used for) Investing Activities	2,358	10,787	13,145
Net Increase (Decrease) in Cash and Cash Equivalents	571,028	433,677	1,004,705
Cash and Cash Equivalents at Beginning of Year	631,717	4,554,692	5,186,409
Cash and Cash Equivalents at End of Year	\$ 1,202,745	\$ 4,988,369	\$ 6,191,114

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

Operating Income (Loss)	\$ 343,726	\$ 1,329,264	\$ 1,672,990
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	201,362	584,825	786,187
Deferred (Outflows)/Inflows of Resources Related to Pension	(2,789)	(16,421)	(19,210)
Change in Assets and Liabilities:			
Increase (Decrease) in Accounts Payable	(10,450)	30,580	20,130
Increase (Decrease) in Accrued Payroll	26	3,604	3,630
Increase (Decrease) in Compensated Absences	3,338	160	3,498
Increase (Decrease) in OPEB Obligation Payable	18,544	95,678	114,222
Increase (Decrease) in Net Pension Liability	(1,628)	(9,581)	(11,209)
Decrease (Increase) in User Charges Receivable	(75,112)	63,307	(11,805)
Total Adjustments	133,291	752,152	885,443
Net Cash Provided by (Used for) Operating Activities	\$ 477,017	\$ 2,081,416	\$ 2,558,433

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, 2017**

	<div> <div>Other</div> <div>Post Employment Benefits Trust Fund</div> <div>Private Purpose Trust Funds</div> <div>Agency Funds</div> </div>		
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 125,244	\$ 504,061
Investments	291,612	-	-
Total Assets	291,612	125,244	504,061
LIABILITIES			
Due to Others	-	-	6,730
Due to Student Groups	-	-	112,715
Deposits and Escrows	-	-	384,616
Total Liabilities	-	-	504,061
NET POSITION			
Held in Trust for Other Purposes	\$ 291,612	\$ 125,244	\$ -

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, 2017

	Other Post Employment Benefits Trust Fund	Private Purpose Trust Funds
Additions		
Contributions:		
Employer	\$ 1,839,835	\$ -
Private Donations	-	69,100
Investment Income	20,627	421
Total Additions	1,860,462	69,521
Deductions:		
Educational Scholarships	-	46,050
Insurance and Employee Benefits	1,759,835	-
Total Deductions	1,759,835	46,050
Change in Net Position	100,627	23,471
Net Position at Beginning of Year	190,985	101,773
Net Position at End of Year	\$ 291,612	\$ 125,244

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, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town was incorporated in 1711 under the laws of the Commonwealth of Massachusetts. The Town is governed by an elected five member Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. In fiscal year 2017, 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, 2017

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, 2017

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, 2017

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, 2017

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

Property taxes are based on assessments as of January 1, 2016 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 2017 on June 29, 2016, that were due on August 1, 2016 and November 1, 2016 and actual bills on December 29, 2016 that were due on February 1, 2017 and May 1, 2017.

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 2017 is as follows;

Legal Levy Limit Under Proposition	
2 1/2 for fiscal year 2017	\$ 32,979,406
Add: Debt Exclusion	<u>1,059,072</u>
Maximum Available Levy Limit	<u><u>\$ 34,038,478</u></u>

The total amount raised by taxation was \$34,021,580.

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, 2017

User Charges

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

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

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

Departmental

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

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

Special Assessments

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

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

Due from Other Governments

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

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

G. Capital Assets

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

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

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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 only item in this category is *deferred outflows related to pensions*.

In addition to liabilities, the *Statement of Net Position* will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the only item in this category is *deferred inflows related to pensions*.

Fund financial statements

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

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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, 2017

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, 2017

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 2017, the Town incurred a final budget deficit of \$3,811,871 for the General Fund.

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

Unassigned fund balance:	
Free cash votes	\$ 2,372,280
Overlay surplus	75,000
Prior year's encumbrances	1,364,591
	<u>\$ 3,811,871</u>

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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, 2017 were \$23,128,796. Of these, \$257,396 are exposed to custodial credit risk as uninsured and uncollateralized.

Investment Policies

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

The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less. The MMDT is an external investment pool that meets the criteria established under GASB Statement No. 79 to report its investments at amortized cost. MMDT's fair value is measured at amortized cost.

As of June 30, 2017, 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	\$ 405,706	\$ -	\$ 405,706	\$ -
U. S. government agencies	656,247	-	558,955	97,292
Corporate bonds	1,665,517	258,818	718,342	688,357
Money market mutual fund	467,187	467,187	-	-
	3,194,657	\$ 726,005	\$ 1,683,003	\$ 785,649
Other Investments:				
Equity mutual funds	821,499			
Equity securities - domestic (stocks)	5,910,979			
MMDT	594,488			
	<u>\$ 10,521,623</u>			

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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 \$10,521,623 in investments, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the Town's name. The Town has no policy on custodial credit risk.

Interest Rate Risk

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

Credit Risk

The Town's exposure to credit risk as of June 30, 2017 is as follows:

Related Debt Instruments	Fair Value
<u>Moody's Quality Ratings</u>	
<i>U. S. Treasury Obligations:</i>	
Aaa	\$ 405,706
<i>U. S. Government Agencies:</i>	
Aaa	656,247
<i>Corporate Bonds:</i>	
AA2	203,864
A1	104,981
A2	337,160
Baa1	1,019,512
<i>Money Market Mutual Funds:</i>	
Not rated	467,187
	<u>\$ 3,194,657</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, 2017

The Town has the following recurring fair value measurements as of June 30, 2017:

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	\$ 405,706	\$ 405,706	\$ -	\$ -
U. S. government agencies	656,247	656,247	-	-
Equity mutual funds	821,499	821,499	-	-
Equity securities - domestic	5,910,979	5,910,979	-	-
Money market mutual fund	467,187	467,187	-	-
Corporate bonds	1,665,517	-	1,665,517	-
	9,927,135	\$ 8,261,618	\$ 1,665,517	\$ -
Investments Measured at Amortized Cost:				
External Investment Pools (MMDT)	594,488			
Total Investments	\$ 10,521,623			

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, 2017, 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	\$ 648,931	\$ (1,300)	\$ 647,631
Deferred property taxes	59,055	-	59,055
Tax liens	643,815	-	643,815
Taxes in litigation	1,092	-	1,092
Excise taxes	413,504	(32,105)	381,399
User charges	301	(301)	-
Departmental	807,399	(533,152)	274,247
Special assessments	439,510	-	439,510
Due from other governments	1,723,950	-	1,723,950
	<u>\$ 4,737,557</u>	<u>\$ (566,858)</u>	<u>\$ 4,170,699</u>

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

At June 30, 2017, receivables for the business-type activities consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Sewer Fund:			
Sewer user charges	\$ 445,247	\$ (500)	\$ 444,747
Due from other governments	198,351	-	198,351
Water Fund:			
Water user charges	986,806	(1,000)	985,806
	<u>\$ 1,630,404</u>	<u>\$ (1,500)</u>	<u>\$ 1,628,904</u>

The composition of amounts due from other governments as of June 30, 2017 for governmental funds and the business-type activities are as follows:

Governmental Funds:

General Fund:

Commonwealth of Massachusetts:

Department of Veterans Services:

Veterans benefits \$ 191,062

Nonmajor Governmental Funds:

U. S. Department of Agriculture:

School lunch \$ 25,394

U. S. Department of Education:

School title grants 145,007

Commonwealth of Massachusetts:

Department of Elementary and Secondary Education:

School Lunch 710

Executive Office of Public Safety & Homeland Security:

State 911 support & incentive grant 38,915

Traffic enforcement 2,500

Massachusetts Department of Transportation:

Highway Department - Chapter 90 funded projects 1,320,362 1,532,888

\$ 1,723,950

Business-type Funds:

Massachusetts Clean Water Trust:

Sewer Extensions CW-14-33 \$ 198,351

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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	\$	286,118
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\$ 286,118

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	\$	550,631	
Deferred property taxes		59,055	
Tax liens		643,815	
Taxes in litigation		1,092	
Excise taxes		381,399	
Special assessments		215,403	
Due from other governments		<u>155,122</u>	\$ 2,006,517

Nonmajor Governmental Funds:

Departmental		211,317	
Special assessments		224,107	
Due from other governments		<u>1,315,723</u>	1,751,147
		<u>\$</u>	<u>3,757,664</u>

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

D. Capital Assets

Capital asset activity for the year ended June 30, 2017, is as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 8,428,047	\$ -	\$ (65,428)	\$ 8,362,619
Construction in Progress	299,785	585,830	-	885,615
Total capital assets not being depreciated	8,727,832	585,830	(65,428)	9,248,234
Capital assets being depreciated:				
Buildings and Renovations	78,241,643	-	-	78,241,643
Machinery, equipment and other	8,523,329	363,563	(551,686)	8,335,206
Infrastructure	11,385,219	318,689	-	11,703,908
Total capital assets being depreciated	98,150,191	682,252	(551,686)	98,280,757
Less accumulated depreciation for:				
Buildings and Renovations	30,190,585	1,895,652	-	32,086,237
Machinery, equipment and other	6,220,463	639,703	(551,686)	6,308,480
Infrastructure	4,051,869	496,955	-	4,548,824
Total accumulated depreciation	40,462,917	3,032,310	(551,686)	42,943,541
Total capital assets being depreciated, net	57,687,274	(2,350,058)	-	55,337,216
Total governmental activities capital assets, net	\$ 66,415,106	\$ (1,764,228)	\$ (65,428)	\$ 64,585,450

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 348,926	\$ -	\$ -	\$ 348,926
Construction in progress	1,368,505	1,486,259	(424,344)	2,430,420
Total capital assets not being depreciated	1,717,431	1,486,259	(424,344)	2,779,346
Capital assets being depreciated:				
Buildings and improvements	454,794	-	-	454,794
Machinery, equipment and other	1,185,942	175,887	(99,865)	1,261,964
Infrastructure	29,184,958	452,866	-	29,637,824
Total capital assets being depreciated	30,825,694	628,753	(99,865)	31,354,582
Less accumulated depreciation for:				
Buildings and improvements	105,329	20,588	-	125,917
Machinery, equipment and other	1,072,087	44,008	(99,865)	1,016,230
Infrastructure	10,696,616	721,591	-	11,418,207
Total accumulated depreciation	11,874,032	786,187	(99,865)	12,560,354
Total capital assets being depreciated, net	18,951,662	(157,434)	-	18,794,228
Total business-type activities capital assets, net	\$ 20,669,093	\$ 1,328,825	\$ (424,344)	\$ 21,573,574

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government	\$ 45,789
Public safety	451,432
Public works	618,570
Education	1,806,879
Health and human services	49,714
Culture and recreation	59,926
Total depreciation expense - governmental activities	<u>\$ 3,032,310</u>

Business-Type Activities:

Sewer fund	\$ 201,362
Water fund	584,825
Total depreciation expense - business-type activities	<u>\$ 786,187</u>

E. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2017, are summarized as follows:

Transfers Out:	Transfers In:		
	General fund	Nonmajor governmental funds	Total
General fund	\$ -	\$ 7,222	\$ 7,222
Cyrus Hicks fund	100,000	23,500	123,500
Nonmajor governmental funds	746,740	-	746,740
Business-type activities	446,518	-	446,518
Total transfers out	<u>\$ 1,293,258</u>	<u>\$ 30,722</u>	<u>\$ 1,323,980</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 2017, acquired through the capital leases are as follows:

	Governmental Activities
Asset:	
Machinery, Equipment and Other	\$ 955,760
Less: Accumulated Depreciation	(387,758)
Total	<u>\$ 568,002</u>

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, are as follows:

Year Ending June 30,	Governmental Activities
2018	\$ 225,659
2019	92,476
2020	57,499
Total minimum lease payments	375,634
Less: amount representing interest	(19,841)
Present value of minimum lease payments	<u>\$ 355,793</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, 2016	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2017
Bond Anticipation Notes:						
Municipal purpose loan	0.70%	9/15/2016	\$ 2,705,120	\$ -	\$ 2,705,120	\$ -
Land acquisitions	0.70%	9/15/2016	51,000	-	51,000	-
Landfill capping project	0.70%	9/15/2016	300,000	-	300,000	-
Municipal purpose loan	0.80%	12/16/2016	-	2,705,120	2,705,120	-
Land acquisitions	0.80%	12/16/2016	-	51,000	51,000	-
Landfill capping project	0.80%	12/16/2016	-	300,000	300,000	-
Total Governmental Activities			<u>\$ 3,056,120</u>	<u>\$ 3,056,120</u>	<u>\$ 6,112,240</u>	<u>\$ -</u>

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, 2016	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2017
Bond Anticipation Notes:						
Nourse School sewer main	0.70%	9/15/2016	\$ 245,272	\$ -	\$ 245,272	\$ -
MCWT Interim note (CWT-14-33)	0.13%	4/12/2017	1,243,506	1,482,871	2,726,377	-
Nourse School sewer main	0.80%	12/16/2016	-	245,272	245,272	-
Total Business-Type Activities			<u>\$ 1,488,778</u>	<u>\$ 1,728,143</u>	<u>\$ 3,216,921</u>	<u>\$ -</u>

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

H. Long Term Debt

General Obligation Bonds

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

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

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2017
Inside Debt:					
Land acquisition-Slaterry property	3.66%	11/1/2004	11/1/2022	\$ 400,000	\$ 120,000
School building renovations	3.75%	11/1/2004	11/1/2023	2,100,000	770,000
Land acquisition	3.96%	10/1/2007	10/1/2022	500,000	185,000
School sewer pump	4.04%	10/1/2007	10/1/2017	350,000	35,000
Police station	2.38%	2/15/2011	10/1/2018	945,000	215,000
Sewer bond	2.38%	2/15/2011	10/1/2020	80,000	20,000
Land Acquisition - Newcomb	2.81%	5/15/2014	11/15/2028	475,000	370,000
School HVAC Repairs	2.81%	5/15/2014	5/5/2026	120,000	90,000
School Roof	2.81%	5/15/2014	5/15/2029	548,370	425,000
School Technology - Hardware	2.81%	5/15/2014	5/15/2023	348,750	225,000
School Technology - Software	2.81%	5/15/2014	5/15/2018	26,250	5,000
School equipment	0.75%	12/12/2014	12/9/2016	160,000	80,000
Library HVAC	0.75%	12/12/2014	12/9/2016	28,787	14,393
Rail Trail project	2.45%	12/15/2016	12/15/2021	480,000	480,000
Watershed planning	2.45%	12/15/2016	12/15/2028	510,000	510,000
Town Hall repairs	2.45%	12/15/2016	12/15/2026	350,000	350,000
Massachusetts Clean Water Trust:					
Lake Winnecunnet sewer project	N/A	11/26/2002	8/1/2022	2,375,687	855,000
Water resource management	N/A	11/26/2002	8/1/2022	334,237	120,000
Total Inside Debt					4,869,393
Outside Debt:					
High school renovations	2.82%	11/15/2011	2/15/2031	6,550,000	4,900,000
High school track/bleachers	2.38%	11/15/2011	2/15/2025	650,000	400,000
School construction	2.81%	5/15/2014	5/15/2034	6,500,000	5,525,000
High school renovations	2.45%	12/15/2016	12/15/2031	650,000	650,000
Dam improvements	2.45%	12/15/2016	12/15/2031	878,000	878,000
Landfill capping	2.45%	12/15/2016	12/15/2026	267,000	267,000
Massachusetts Clean Water Trust:					
Title V Septic Loans - Round 2	N/A	7/24/2003	2/1/2021	195,089	43,536
Title V Septic Loans - Round 3	N/A	8/1/2004	8/1/2023	236,799	85,230
Title V Septic Loans - Round 4	N/A	12/14/2006	7/15/2026	146,244	73,124
Title V Septic Loans - Round 5	N/A	11/15/2006	8/1/2024	184,207	81,545
Title V Septic Loans - Round 6	N/A	11/22/2010	7/15/2029	200,000	136,844
Title V Septic Loans - Round 7	N/A	11/22/2010	7/15/2029	201,502	137,872
Title V Septic Loans - Round 8	N/A	5/22/2013	1/15/2033	165,000	132,000
Title V Septic Loans - Round 9	N/A	1/7/2015	1/15/2035	33,498	30,148
Title V Septic Loans - Round 10	N/A	2/11/2016	1/15/2036	100,000	95,000
Total Outside Debt					13,435,299
Total Governmental Type Debt					\$ 18,304,692

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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, 2017, are as follows:

Year	Principal	Interest	Total
2018	\$ 1,749,435	\$ 558,095	\$ 2,307,530
2019	1,684,434	500,875	2,185,309
2020	1,526,441	441,104	1,967,545
2021	1,521,661	397,049	1,918,710
2022	1,510,612	345,412	1,856,024
2023-2027	5,555,811	1,170,471	6,726,282
2028-2032	4,073,023	463,531	4,536,554
2033-2036	683,275	33,719	716,994
	<u>\$ 18,304,692</u>	<u>\$ 3,910,256</u>	<u>\$ 22,214,948</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, 2017
Inside Debt:					
Sewer Fund:					
Sewer Expansion	2.45%	12/15/2016	12/15/2026	\$ 245,000	\$ 245,000
Massachusetts Clean Water Trust:					
Sewer Expansion CW-14-33	2.00%	4/13/2017	1/15/2037	2,924,728	2,924,728
Total Inside Debt					<u>3,169,728</u>
Outside Debt:					
Water fund:					
Water mains	3.99%	10/1/2007	10/1/2027	3,300,000	1,815,000
New water tank	3.99%	10/1/2007	10/1/2027	1,700,000	935,000
Water mains	4.02%	8/1/2008	8/1/2028	3,000,000	1,800,000
Water mains	4.02%	8/1/2008	8/1/2028	5,000,000	3,000,000
Water storage facility	2.38%	2/15/2011	10/1/2020	1,100,000	435,000
Total Outside Debt					<u>7,985,000</u>
Total Business-type Debt					<u>\$ 11,154,728</u>

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

The annual principal and interest payments to retire all business-type long-term debt outstanding as of June 30, 2017, are as follows:

Year	Principal	Interest	Total
2018	\$ 903,307	\$ 361,525	\$ 1,264,832
2019	905,880	341,570	1,247,450
2020	908,507	308,578	1,217,085
2021	906,191	275,499	1,181,690
2022	803,933	244,342	1,048,275
2023-2027	4,057,939	772,977	4,830,916
2028-2032	1,816,016	171,103	1,987,119
2033-2037	852,955	51,911	904,866
	<u>\$ 11,154,728</u>	<u>\$ 2,527,505</u>	<u>\$ 13,682,233</u>

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

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due within One Year
Governmental activities:					
Bonds Payable:					
General obligation bonds	\$ 14,751,590	\$ 3,135,000	\$ 1,372,197	\$ 16,514,393	\$ 1,517,197
Massachusetts Clean					
Water Trust bonds	2,028,637	-	238,338	1,790,299	232,238
Capital lease	468,138	99,544	211,889	355,793	214,137
Compensated absences	2,224,406	8,666	146,644	2,086,428	706,986
OPEB liability obligation	21,771,151	3,649,728	-	25,420,879	-
Net pension liability	21,784,195	-	167,236	21,616,959	-
Governmental activity					
Long-term liabilities	<u>\$ 63,028,117</u>	<u>\$ 6,892,938</u>	<u>\$ 2,136,304</u>	<u>\$ 67,784,751</u>	<u>\$ 2,670,558</u>
Business-type activities:					
Bonds Payable:					
General obligation bonds	\$ 8,745,000	\$ 3,169,728	\$ 760,000	11,154,728	\$ 903,307
Compensated absences	115,974	3,498	-	119,472	59,194
OPEB liability obligation	693,459	114,222	-	807,681	-
Net pension liability	1,460,114	-	11,209	1,448,905	-
Business-type activity					
Long-term liabilities	<u>\$ 11,014,547</u>	<u>\$ 3,287,448</u>	<u>\$ 771,209</u>	<u>\$ 13,530,786</u>	<u>\$ 962,501</u>

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Massachusetts Clean Water Trust (MCWT)

The Town is scheduled to be subsidized by the Massachusetts Clean Water Trust (MCWT) on a periodic basis for principal in the amount of \$7,096,982 and interest costs of \$2,336,149 for twelve loans which the Town has borrowed from MCWT. The gross amount outstanding at June 30, 2017 for principal and interest combined for the loans is \$6,623,049. The net repayments, including interest, are scheduled to be \$4,481,895. 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 2017 principal and interest subsidies totaled \$81,808.

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, 2017 totaled \$8,039,121.

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, 2017:

Proposed and Revised Equalized Valuation-Real Estate and Personal Property (2016)		<u>\$ 2,041,345,000</u>
Debt Limit: 5 % of Equalized value		102,067,250
Total Debt Outstanding	\$ 29,459,420	
Less: Debt Outside Debt Limit	<u>(21,420,299)</u>	<u>8,039,121</u>
Inside Debt Excess Borrowing Capacity at June 30, 2017		<u>\$ 94,028,129</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, 2017

Loan authorizations that have not been issued as of June 30, 2017 and are not reflected in the Town's financial statements are as follows:

Date Town Meeting Authorized	Purpose	Amount
10/8/2003	Repair, replacement and upgrading of Septic systems or household connections to Sanitary Sewer System pursuant to Agreements between Board of Health and property owners	\$ 300,000
6/6/2011	Renovating, constructing, and improvements and expansion of Norton High School	19,395,111
10/29/2012	Land acquisition - Erikson property	5,000
10/7/2013	Land acquisition - Crane property	140,800
5/12/2014	Water Treatment Plant	8,900,000
5/19/2016	Water Treatment Plant (additional)	500,000
10/20/2014	Water Shed plan	290,000
5/11/2015	Nourse Elementary School Sewer connection	195,000
10/19/2015	Norton Center Sewer expansion project (additional)	75,272
12/19/2015	Repair, replacement and upgrading of Septic systems or household connections to Sanitary Sewer System pursuant to Agreements between Board of Health and property owners	1,000,000
5/8/2017	Woodlawn Meadows sewer, pump stations and mains	3,320,000
		<u><u>\$ 34,121,183</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>\$ 4,980,000</u></u>	6.10%	<u><u>\$ 303,780</u></u>

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

I. Fund Balances

The following is a summary of the Governmental fund balances at the year ended June 30, 2017:

	General Fund	Cyrus Hicks Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Permanent funds	\$ -	\$ -	\$ 271,600	\$ 271,600
Restricted:				
Federal, state and local grants	-	-	216,664	216,664
School revolving funds	-	-	480,962	480,962
Revolving funds	-	-	227,128	227,128
Septic loans	-	-	944,796	944,796
Debt service	-	-	212,478	212,478
Donations and gifts	-	-	359,277	359,277
Permanent funds	-	-	87,316	87,316
Cyrus Hicks fund	-	8,191,027	-	8,191,027
Capital project funds	-	-	1,204,287	1,204,287
Other	-	-	28,765	28,765
	-	8,191,027	3,761,673	11,952,700
Committed:				
Ambulance	-	-	1,889,881	1,889,881
Dog fund	-	-	78,829	78,829
	-	-	1,968,710	1,968,710
Assigned:				
General government	511,037	-	-	511,037
Public safety	194,197	-	-	194,197
Public works	87,790	-	-	87,790
Education	512,128	-	-	512,128
Health and human services	58,573	-	-	58,573
Culture and recreation	913	-	-	913
Employee benefits and insurance	320,954	-	-	320,954
Subsequent year's budget	1,269,200	-	-	1,269,200
	2,954,792	-	-	2,954,792
Unassigned:				
General fund	7,582,354	-	-	7,582,354
Total Governmental fund balances	\$ 10,537,146	\$ 8,191,027	\$ 6,001,983	\$ 24,730,156

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

J. Special Trust Funds

Stabilization Fund

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the Town may for the purpose of creating a stabilization fund appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the Town and any interest shall be added to and become a part of the fund. The stabilization fund may be appropriated in a Town at a Town meeting for any lawful purpose.

At June 30, 2017 the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

General purpose stabilization fund	\$ 1,444,496
Capital improvement stabilization fund	<u>312,869</u>
	<u><u>\$ 1,757,365</u></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 unaudited results of operations of the Group for the fiscal year ended June 30, 2017, the Town's insurance consultants have reported the Group has accumulated a surplus of \$4,997,845.

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

B. Contingent Liabilities

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of liability, if any, at June 30, 2017, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2017.

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, 2017, the Town of Norton abated property taxes amounting to \$175,215 under this program, including the following tax abatement agreements.

A 90% declining to 30% over ten years property tax abatement agreement was approved in June 2006 for the Autopart International, Inc. and Campanelli Investment Properties, LLC to make improvements to the property on Mansfield Avenue of at least \$7.4 million (\$2.4 million in improvements and \$5 million expended for new machinery and equipment), retain its existing employment level of 250 employees and create 85 new full-time jobs. In addition, the Autopart International, Inc. agrees to operate its business and maintain the level of jobs as long as the agreement is in effect (term is ten years). The company had no abatements in this fiscal year.

A 100% for the first four years declining to 1% over the remaining nine years property tax abatement agreement was approved in January 2011 for the Horizon Beverages Company, Inc. and E/R Properties LLC to make improvements to the property on Commerce Way of at least \$43 million (\$20 million to purchase a building, \$13 Million in construction costs and \$10 million to purchase new machinery and equipment), retain its existing employment level of 381 employees and create 35 new full-time jobs. In addition, the Horizon Beverages Company, Inc. agrees to operate its business and maintain the level of jobs for as long as the agreement is in effect (term is thirteen years). The abatement for this fiscal year totaled \$72,237.

A 100% for the first two years declining to 60% over the remaining thirteen years property tax abatement agreement was approved in October 2015 for the New England Ice Cream Corporation and Ginsberg Taunton Properties, LLC. to provide a capital investment of \$10 million (including \$1.5 million for land, \$7 million for construction costs and \$1.5 million for personal property to accommodate corporate headquarters, distribution and warehouse space), retain 85 full-time employees and create 20 new full-time jobs. In addition, the New England Ice Cream Corporation agrees to operate its business and maintain the level of jobs for as long as the agreement is in effect (term is fifteen years). The abatements begin in fiscal year 2018.

A 90% declining to 35% over eleven years property tax abatement agreement was approved in February 2014 for the Penske Truck Leasing Company, L.P. to provide a capital investment to a property on Commerce Way of \$6 million (including \$4.5 million for construction costs and \$1.5 million for equipment, furniture and fixtures), and create 7 new full-time jobs. In addition, the

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Penske Truck Leasing Company, L.P. agrees to operate its business and maintain the level of jobs for as long as the agreement is in effect (term is eleven years). The abatement for this fiscal year totaled \$14,390.

A 90% declining to 35% over eleven years property tax abatement agreement was approved in May 2013 for South Shore Millwork, Inc., Brian Mathew, LLC, and Maple Street Rear, LLC to provide a capital investment to a property on Maple Street of \$1.8 million for construction costs and create 5 new full-time jobs. In addition, the South Shore Millwork, Inc. agrees to operate its business and maintain the level of jobs for as long as the agreement is in effect (term is eleven years). The abatement for this fiscal year totaled \$31,697.

A 90% declining to 35% over eleven years property tax abatement agreement was approved in November 2012 for Waste Management of Massachusetts, Inc. to provide a capital investment to a property on Commerce Way of \$5,942,600 (including \$442,600 for land and \$5.5 million for construction costs) and create 10 new full-time jobs. In addition, the Waste Management of Massachusetts, Inc. agrees to operate its business and maintain the level of jobs for as long as the agreement is in effect (term is eleven years). The abatement for this fiscal year totaled \$56,891.

D. Subsequent Events

Management has evaluated subsequent events through January 26, 2018, which is the date the financial statements were available to be issued.

E. Pension Plan

Plan Description

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

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

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, 2016. The Town's portion of the collective pension expense contributed by the Commonwealth of \$5,917,376 on-behalf payments for the fiscal year ending June 30, 2017 is reported as intergovernmental revenues and insurance and employee benefit expenditures in the General Fund as of the measurement date.

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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, 2016 was \$2,595,139, representing 21.48% 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.

Pension Liability

As of June 30, 2017, the Town reported a liability of \$23,065,864 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. 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, 2016, the Town's proportional percentage was 6.909%, which was the same as the last measurement.

Pension Expense

For the year ended June 30, 2017, the Town recognized a pension expense of \$3,096,496 and reported deferred outflows of resources related to pensions of \$4,326,310 from the differences between expected and actual experience, the net difference between projected and actual investment earnings on pension plan investments and the changes in proportion and differences between employer contributions and proportionate share of contributions; and deferred inflows of resources related to pensions of \$553,170, from the changes of assumptions.

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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,		
	2018	\$ 1,311,446
	2019	1,311,446
	2020	1,000,805
	2021	149,443
		<u>\$ 3,773,140</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	January 1, 2016
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percent, open group
Remaining amortization period	12 years
Asset valuation method	Actuarially valued using a five-year smoothing of asset returns greater than or less than the assumed rate of return.
Investment rate of return	7.75%
Projected salary increase	varies based upon years of service
Inflation	4.00%
Cost of living adjustments	3.00% of \$18,000 per year.
Mortality rates	Pre-retirement rates reflect the RP-2014 Blue Collar Mortality Table with Scale MP-2014, fully generational. Healthy Retiree rates reflect Group 1 & 2 retirees are represented by the RP-2000 Mortality Table set forward 5 years for males and 3 years for females, fully generational. Group 4 retirees are represented by the RP-2000 Mortality Table set forward 3 years for males and 6 years for females, fully generational. For disabled retirees, Group 1 & 2 disabled retirees are represented by the RP-2000 Mortality Table set forward 6 years. Group 4 disabled retirees are represented by the RP-2000 Mortality Table set forward 2 years. Generational adjusting is based on Scale MP-2014.

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.

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	46.5%	7.8%
Fixed Income	24.5%	5.0%
Private Equity	8.5%	11.3%
Real Estate Funds	7.5%	6.3%
Hedge Funds	5.0%	7.1%
Infrastructure	5.0%	8.0%
Timber	3.0%	7.5%
Total	100.0%	

Rate of Return

For the year ended December 31, 2016, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 2.94%. 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.

Discount Rate

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

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

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

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Town's net pension liability	\$ 31,659,808	\$ 23,065,864	\$ 16,986,680

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

F. Other Post Employment Benefits Payable

GASB Statement No. 45

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions, requires Towns to account for OPEB, primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns the post employment benefits, rather than when they use them. To the extent that an entity does not fund their actuarially required contribution, a post employment benefit liability is recognized on the Statement of Net Position.

The cost of post employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The Town adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2007, and thus recognizes the cost of post employment benefits in the year when the employee services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the Town's future cash flows.

Plan Description

In addition to providing pension benefits, the Town provided post-employment health care and life insurance benefits for retired employees, their dependents and beneficiaries. The benefits, benefit levels, employee and employer contributions are governed by Massachusetts General Law chapter 32. There are approximately 848 active and retired employees that meet the eligibility requirements. The plan does not issue a separate financial report.

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended through Town policy and member contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2017 fiscal year, total Town premiums plus implicit costs for the retiree medical program are \$1,852,742 (employer contributions of \$1,772,742 and contributions to the trust of \$80,000).

Annual OPEB Cost and Net OPEB Obligation

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

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

The following table shows the components of the Town's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Town's net OPEB obligation to the plan:

Annual required contribution	\$ 4,255,339
Interest on net OPEB obligation	786,262
Adjustment to annual required contribution	(1,180,126)
Amortization of actuarial (Gain)/Loss	1,755,217
Annual OPEB cost (expense)	<u>5,616,692</u>
Contributions made during the fiscal year	(1,772,742)
Contributions made to OPEB Trust	<u>(80,000)</u>
Increase in net OPEB obligation	3,763,950
Net OPEB Obligation - beginning of year	22,464,610
Net OPEB Obligation - end of year	<u><u>\$ 26,228,560</u></u>

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2017 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 5,616,692	33.0%	\$ 26,228,560
6/30/2016	\$ 5,360,964	34.2%	\$ 22,464,610
6/30/2015	\$ 5,319,932	36.5%	\$ 18,938,622

Funded Status and Funding Process

As of July 1, 2015, the most recent valuation date, the plan was 0.19% funded. The actuarial liability for benefits was \$59,970,409 and the actuarial value of assets was \$111,437, resulting in a total unfunded actuarial accrued liability (UAAL) of \$59,858,972. The covered payroll (annual payroll of active employees covered by the plan) was \$23,397,443 and the ratio of the UAAL to the covered payroll was 255.8%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Funding Progress, presented as Required Supplementary Information following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the Actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

The Town OPEB actuarial valuation used the individual entry age normal actuarial cost method. The OPEB liability is currently .19% funded and the actuarial assumptions include a 3.50% rate of return on invested assets. The actuarial assumptions also include an expected payroll growth of 3.00% per annum and a general inflation of 2.75% per annum. Medical and drug cost trend is at an ultimate level of 5% per year.

The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar amortization. The remaining amortization period at July 1, 2017 is 20 years.

GASB Statement No. 74

The Town did establish a trust fund in order to contribute funds to reduce the future OPEB liability. As of June 30, 2017 the trust balance is \$291,612.

Investments

The OPEB Trust fund does not have a formal investment policy. As of June 30, 2017, 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).

Net OPEB Liability

The components of the net OPEB liability are as follows:

Total OPEB liability	\$ 66,036,112
Less: Plan fiduciary net position	(291,612)
Town's Net OPEB liability	<u>\$ 65,744,500</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.44%

Actuarial Assumptions

The actuarially determined contribution used towards the total OPEB liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2017;

Valuation date	Actuarially Determined Contribution was calculated as of June 30, 2017
Actuarial cost method	Individual Entry Age Normal
Inflation rate	2.75% as of June 30, 2017 and for future periods
Participant salary increases	3.00% as of June 30, 2017 and for future periods
Investment rate of return	6.80% annually, net of OPEB plan investment expense Including inflation
Healthcare cost trend rates	5.00% annually

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Mortality rates	
Pre-retirement Mortality	RP-2000 Employee Mortality Table projected generationally with Scale BB with base year 2009 for males and females
Post-retirement Mortality	RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB with base year 2009 for males and females
Disabled Mortality	RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB and a base year 2012 for males and females

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

Long-term Expected Rate of Return

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

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

Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 6.80%.

Discount Rate

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

TOWN OF NORTON, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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

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

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Town's net OPEB liability	\$ 77,330,860	\$ 65,744,500	\$ 56,314,536

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

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

	1% Decrease (4.00%)	Healthcare Cost Trend Rates (5.00%)	1% Increase (6.00%)
Town's net OPEB liability	\$ 51,607,378	\$ 65,744,500	\$ 84,305,214

G. Implementation Of New GASB Pronouncements

The GASB issued Statement No. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, for implementation in fiscal year 2017.

The GASB issued Statement No. 77, *Tax Abatement Disclosures*, for implementation in fiscal year 2017.

The GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*, for implementation in fiscal year 2017.

The GASB issued Statement No. 82, *Pension Issues – an amendment of GASB No. 67, No. 68, and No. 73*, for implementation in fiscal year 2017.

H. Future GASB Pronouncements

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF NORTON, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Bristol County Retirement System
For the Year Ended June 30, 2017

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

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

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

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

TOWN OF NORTON, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Bristol County Retirement System
For the Year Ended June 30, 2017

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

Schedule of the Town's Contributions:

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

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

TOWN OF NORTON, MASSACHUSETTS
Required Supplementary Information
Schedule of Funding Progress and Employer Contributions
Other Post-Employment Benefit Plan (GASB 45) Schedule
Year Ended June 30, 2017

Schedule of Funding Progress

Other Post Employment Benefits						
Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability (AAL) Entry Aid (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2015	\$ 111,437	\$ 59,970,409	\$ 59,858,972	0.19%	\$ 23,397,443	255.8%
7/1/2014	\$ 51,179	\$ 57,231,170	\$ 57,179,991	0.09%	\$ 27,927,301	204.7%
7/1/2013	\$ 41,052	\$ 54,987,938	\$ 54,946,886	0.07%	\$ 27,113,884	202.7%

Schedule of Contribution Funding

Other Post Employment Benefits			
Fiscal Year Ended June 30	Annual OPEB Cost	Actual Contributions Made	Percentage Contributed
2017	\$ 5,616,692	\$ 1,852,742	33.0%
2016	\$ 5,360,964	\$ 1,834,976	34.2%
2015	\$ 5,319,932	\$ 1,940,867	36.5%

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

Actuarial Methods:

Valuation date	July 1, 2015
Actuarial cost method	Individual Entry Age Normal Cost method
Amortization method	Level dollar amortization over 30 years

Actuarial Assumptions:

Investment rate of return	3.50% per year
Projected salary increases	3.00% per year
General inflation	2.75% per year
Medical/drug cost trend rate	5.00% ultimate trend rate per year

Plan Membership:

Current active members	469
Current retirees, beneficiaries and dependents	379
Total	<u>848</u>

TOWN OF NORTON, MASSACHUSETTS
Required Supplementary Information
Other Post Employment Benefit Plan (GASB 74) Schedules
For the Year Ended June 30, 2017

Schedule of Changes in the Net OPEB Liability:

	<u>6/30/2017</u>
Total OPEB liability	
Service cost	\$ 2,387,415
Interest on total OPEB liability	2,263,118
Benefit payments, including implicit costs	<u>(1,759,835)</u>
Net change in total OPEB liability	2,890,698
Total OPEB liability-beginning	<u>63,145,414</u>
Total OPEB liability-ending (a)	<u>\$ 66,036,112</u>
 Plan fiduciary net position	
Net investment income gain/(loss)	\$ 20,627
Employer contributions to Trust	1,839,835
Benefit payments, including refunds of member contributions	<u>(1,759,835)</u>
Net change in plan fiduciary net position	100,627
Total fiduciary net position-beginning	<u>190,985</u>
Total fiduciary net position-ending (b)	<u>\$ 291,612</u>
 Town's net OPEB liability (a-b)	 <u><u>\$ 65,744,500</u></u>

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

TOWN OF NORTON, MASSACHUSETTS
Required Supplementary Information
Other Post Employment Benefit Plan (GASB 74) Schedules
For the Year Ended June 30, 2017

Schedule of Net OPEB Liability:

	<u>6/30/2017</u>
Total OPEB liability	\$ 66,036,112
Less: Plan fiduciary net position	<u>(291,612)</u>
Town's Net OPEB liability	<u><u>\$ 65,744,500</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.44%
Town's share of covered employee payroll	\$ 24,099,366
Participating employer net OPEB liability (asset) as a percentage of covered-employee payroll	272.81%

Schedule of Contributions:

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

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

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, 2017

	Fund Balances July 1, 2016	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2017
Special Revenue:					
Federal and State Grants:					
School Grants	\$ 28,063	\$ 1,097,852	\$ 1,108,571	\$ (4)	\$ 17,340
Arts Lottery Council Grant	5,696	6,713	5,611	-	6,798
Council on Aging Grants	-	30,290	27,428	-	2,862
Extended Polling Hours	1,547	3,612	3,582	-	1,577
Highway Grants	26,232	318,702	318,689	-	26,245
Other Grants and Programs	1,558	54,254	48,254	-	7,558
Public Safety Grants	14,951	108,544	95,489	-	28,006
Schools:					
School Lunch Program	32,336	676,303	678,930	-	29,709
School Lunch Commodities	-	49,555	49,555	-	-
School Choice	166,137	327,622	307,998	-	185,761
Revolving Accounts	229,769	1,095,860	1,060,137	-	265,492
State Special Education Reimbursement	129,003	1,137,078	1,151,072	-	115,009
Other:					
Ambulance Fund	1,470,098	1,015,262	-	(595,479)	1,889,881
Bristol County Homeland Security Grants	565	-	-	-	565
Clean Energy Choice Grant	1,470	-	-	-	1,470
Compost Bin Recycling Bin Revolving	1,296	75	-	-	1,371
Conservation Outside Consultant Fees	27,913	22,192	35,271	-	14,834
Council on Aging Revolving	1,294	6,989	4,980	-	3,303
Dog Fund	118,524	17,894	-	(57,589)	78,829
Forestry Revolving	1,412	-	-	-	1,412
Gifts and Donations	361,494	117,670	136,387	16,500	359,277
Hazardous Materials Revolving	5,594	-	422	-	5,172
Insurance Reimbursement	17,107	12,150	21,601	-	7,656
Jackson Property Fees	36,199	3,387	-	-	39,586
Law Enforcement Fund	46,367	417	4,591	-	42,193
Parks and Recreation Revolving	6,137	37,444	33,981	-	9,600
Special Revenue Funds Page 70	\$ 2,730,762	\$ 6,139,865	\$ 5,092,549	\$ (636,572)	\$ 3,141,506

TOWN OF NORTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Fund Balances July 1, 2016	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2017
Continued from Page 70	\$ 2,730,762	\$ 6,139,865	\$ 5,092,549	\$ (636,572)	\$ 3,141,506
Other (continued):					
Planning Board Review Fund	73,176	12,797	28,905	-	57,068
Police Restitution	-	91	-	-	91
Premium on Sale of Bonds	186,235	-	41,255	67,498	212,478
Public Safety Outside Detail Funds	-	810,600	810,600	-	-
Recycling Revolving	10,739	3,364	4,088	-	10,015
Septic Program Funds	949,138	78,459	22,801	(60,000)	944,796
Wetlands Protection Fund	28,990	9,238	934	(5,000)	32,294
Zoning Board of Appeals Outside Consultant Fees	6,814	8,858	5,389	-	10,283
Conservation Fund	2,014	1	-	-	2,015
Sale of Pines Fund	18,528	9	-	-	18,537
War Memorial Fund	465	-	-	-	465
Total Special Revenue Funds	4,006,861	7,063,282	6,006,521	(634,074)	4,429,548
Capital Projects:					
Dam Improvements	(299,785)	-	451,590	879,400	128,025
Erickson Property Acquisition	(51,000)	-	-	51,000	-
High School Feasibility Study	9,635	-	-	-	9,635
High School Construction	(644,923)	-	6,288	651,211	-
High School Track Bleachers	9,106	-	8,589	-	517
Landfill Project	(266,840)	-	-	266,840	-
Norton Crossing Improvements	6,420	48,372	45,559	-	9,233
Norton Rail Trail	-	-	105,490	480,000	374,510
Other Projects	25,030	-	-	-	25,030
Other School Projects	20,653	-	101,774	99,544	18,423
School Air Conditioning and Ventilation	8,332	-	-	-	8,332
School Sewer Main	13,304	-	-	-	13,304
Town Hall Improvements	(12,862)	-	23,284	350,000	313,854
Water Shed plan	(26,296)	-	171,048	510,000	312,656
Total Capital Projects Fund	\$ (1,209,226)	\$ 48,372	\$ 913,622	\$ 3,287,995	\$ 1,213,519

TOWN OF NORTON, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Fund Balances July 1, 2016	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2017
Perpetual Permanent Funds:					
Cemetery Funds	\$ 253,200	\$ 6,400	\$ -	\$ -	\$ 259,600
Library Fund	2,000	-	-	-	2,000
Wetherell Athletic Fund	10,000	-	-	-	10,000
Total Perpetual Permanent Funds	265,200	6,400	-	-	271,600
Permanent Funds:					
Cemetery Funds	88,321	130	8,380	7,000	87,071
Library Fund	15	3	15	-	3
Wetherell Athletic Fund	237	5	-	-	242
Total Permanent Funds	88,573	138	8,395	7,000	87,316
Total - Non-Major Governmental Funds	\$ 3,151,408	\$ 7,118,192	\$ 6,928,538	\$ 2,660,921	\$ 6,001,983

**TOWN OF NORTON, MASSACHUSETTS
SCHEDULE OF REAL ESTATE AND PERSONAL PROPERTY TAXES
AND DEFERRED PROPERTY TAXES
JULY 1, 2016 TO JUNE 30, 2017**

	Uncollected Taxes July 1, 2016	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2017	Uncollected Taxes Per Detail June 30, 2017
Real Estate Taxes:						
Levy of 2017	\$ -	\$ 33,201,288	\$ 166,088	\$ 32,437,888	\$ 597,312	\$ 597,312
Levy of 2016	589,925	-	226,577	341,503	21,845	21,845
Levy of 2015	3,478	-	-	-	3,478	3,478
Levy of 2014	2,816	-	-	-	2,816	2,816
Levy of 2013	2,165	-	-	-	2,165	2,165
Prior Years	616	-	-	-	616	616
	<u>599,000</u>	<u>33,201,288</u>	<u>392,665</u>	<u>32,779,391</u>	<u>628,232</u>	<u>628,232</u>
Personal Property Taxes:						
Levy of 2017	-	820,297	32,866	771,952	15,479	15,479
Levy of 2016	15,974	-	1,697	9,057	5,220	5,220
Levy of 2015	13,263	-	11,269	1,994	-	-
Levy of 2014	2,148	-	2,148	-	-	-
Levy of 2013	2,046	-	2,046	-	-	-
Prior Years	4,913	-	4,914	(1)	-	-
	<u>38,344</u>	<u>820,297</u>	<u>54,940</u>	<u>783,002</u>	<u>20,699</u>	<u>20,699</u>
Total Real Estate and Personal Property Taxes	<u>\$ 637,344</u>	<u>\$ 34,021,585</u>	<u>\$ 447,605</u>	<u>\$ 33,562,393</u>	<u>\$ 648,931</u>	<u>\$ 648,931</u>
Deferred Property Taxes	<u>\$ 53,320</u>	<u>\$ 5,735</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,055</u>	<u>\$ 59,055</u>

**TOWN OF NORTON, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE TAXES
JULY 1, 2016 TO JUNE 30, 2017**

	Uncollected Taxes July 1, 2016	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2017	Uncollected Taxes Per Detail June 30, 2017
Motor Vehicle Excise Taxes:						
Levy of 2017	\$ -	\$ 2,634,584	\$ 39,739	\$ 2,269,588	\$ 325,257	\$ 325,257
Levy of 2016	266,015	301,905	24,867	496,107	46,946	46,946
Levy of 2015	37,719	-	1,115	21,206	15,398	15,398
Levy of 2014	13,372	-	1,001	4,769	7,602	7,602
Levy of 2013	9,573	-	70	2,209	7,294	7,294
Prior Years	11,969	-	-	962	11,007	11,007
Total Motor Vehicle Excise Taxes	\$ 338,648	\$ 2,936,489	\$ 66,792	\$ 2,794,841	\$ 413,504	\$ 413,504

**TOWN OF NORTON, MASSACHUSETTS
SCHEDULE OF TAX LIENS AND TAXES IN LITIGATION
JULY 1, 2016 TO JUNE 30, 2017**

	Uncollected Accounts July 1, 2016	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2017	Uncollected Accounts Per Detail June 30, 2017
Tax Liens	\$ 614,029	\$ 249,399	\$ -	\$ 219,613	\$ 643,815	\$ 625,379
Taxes in Litigation	\$ 1,092	\$ -	\$ -	\$ -	\$ 1,092	\$ 1,092