



## **TOWN OF NORWOOD, MASSACHUSETTS**

Financial Statements  
For the Year Ended June 30, 2021

(With Independent Auditor's Report Thereon)

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen  
Town of Norwood, 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 Norwood, Massachusetts (the Town), as of and for the year ended June 30, 2021, (except for the Norwood Contributory Retirement System which is as of and for the year ended December 31, 2020) and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statements***

The Town's 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 Town's internal control.

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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 Norwood, Massachusetts, as of June 30, 2021, (except for the Norwood Contributory Retirement System which is as of and for the year ended December 31, 2020) and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 23 to the financial statements, in fiscal year 2021 the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the budgetary comparison for the General Fund, and certain pension and OPEB schedules 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 evidence sufficient to express an opinion or provide any assurance.



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2022 on our consideration of the Town’s 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town’s 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’s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads 'Melanson'.

Andover, Massachusetts  
July 28, 2022



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Norwood, Massachusetts (the Town), we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2021.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains required 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 our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets, liabilities, and deferred outflows/inflows of resources with the difference 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 Town'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, education, public works, water and sewer, broadband cable, health and human services, and culture and recreation. The business-type activities include electric light activities.

### ***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. The Town's 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 financial statements focus on near-term inflows and outflows 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 financing 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 funds with similar 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 decisions. 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.

### ***Proprietary Funds***

Proprietary fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise funds.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for electric light operations, which is considered to be a major fund.



***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 Town programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

***Notes to 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.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

**Financial Highlights**

- As of the close of the current fiscal year, net position in governmental activities was \$(2,328,415) a change of \$26,978,736, partly driven by a change in OPEB assumptions. Net position in business-type activities was \$26,197,828, a change of \$13,250,587, primarily because bond debt service payments continued to exceed depreciation expense.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$35,792,004, a change of \$11,794,599 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$22,647,047, a change of \$5,765,067 in comparison to the prior year.

## Government-Wide Financial Analysis

The following is a summary of condensed government-wide financial data for the current and prior fiscal year.

	NET POSITION (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>Assets</b>						
Current and other assets	\$ 74,407	\$ 54,567	\$ 30,690	\$ 29,241	\$ 105,097	\$ 83,808
Capital assets	<u>169,895</u>	<u>171,184</u>	<u>51,615</u>	<u>51,615</u>	<u>221,510</u>	<u>222,799</u>
Total assets	244,302	225,751	82,305	80,856	326,607	306,607
Deferred outflows of resources	8,898	12,181	419	574	9,317	12,755
<b>Liabilities</b>						
Other liabilities	35,854	29,272	7,035	9,850	42,889	39,122
Long-term liabilities	<u>172,102</u>	<u>183,214</u>	<u>46,460</u>	<u>56,047</u>	<u>218,562</u>	<u>239,261</u>
Total liabilities	207,956	212,486	53,495	65,897	261,451	278,383
Deferred inflows of resources	47,572	54,877	3,031	2,586	50,603	57,463
<b>Net Position</b>						
Net investment in capital assets	106,373	105,084	22,546	20,313	128,919	125,397
Restricted	15,413	12,006	-	-	15,413	12,006
Unrestricted	<u>(124,114)</u>	<u>(146,521)</u>	<u>3,652</u>	<u>(7,366)</u>	<u>(120,462)</u>	<u>(153,887)</u>
Total net position	\$ <u>(2,328)</u>	\$ <u>(29,431)</u>	\$ <u>26,198</u>	\$ <u>12,947</u>	\$ <u>23,870</u>	\$ <u>(16,484)</u>

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. At the close of the most recent fiscal year, total net position was \$23,869,413, a change of \$40,229,323 in comparison to the prior year.

The largest portion of net position \$128,919,171 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of 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 net position \$15,413,299 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(120,463,057) primarily resulting from unfunded pension and OPEB liabilities.

CHANGES IN NET POSITION

(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 36,130	\$ 32,829	\$ 60,116	\$ 61,816	\$ 96,246	\$ 94,645
Operating grants and contributions	26,814	22,123	-	-	26,814	22,123
Capital grants and contributions	1,128	1,055	-	-	1,128	1,055
General revenues:						
Property taxes	88,948	84,269	-	-	88,948	84,269
Excise taxes	4,936	4,828	-	-	4,936	4,828
Penalties, interest, and other taxes	1,417	2,069	-	-	1,417	2,069
Grants and contributions not restricted to specific programs	14,501	13,104	-	-	14,501	13,104
Investment income	1,029	515	516	435	1,545	950
Miscellaneous	1,148	852	-	72	1,148	924
Total revenues	176,051	161,644	60,632	62,323	236,683	223,967
<b>Expenses</b>						
General government	9,986	9,400	-	-	9,986	9,400
Public safety	20,176	25,609	-	-	20,176	25,609
Education	83,530	70,910	-	-	83,530	70,910
Public works	14,809	17,006	-	-	14,809	17,006
Water and sewer	13,669	12,602	-	-	13,669	12,602
Broadband cable	6,253	6,176	-	-	6,253	6,176
Health and human services	2,042	2,453	-	-	2,042	2,453
Culture and recreation	4,454	4,183	-	-	4,454	4,183
Interest on long-term debt	1,805	1,899	-	-	1,805	1,899
Intergovernmental	2,343	2,196	-	-	2,343	2,196
Electric light services	-	-	37,386	42,435	37,386	42,435
Total expenses	159,067	152,434	37,386	42,435	196,453	194,869
Change in net position before transfers	16,984	9,210	23,246	19,888	40,230	29,098
Transfers in (out)	9,995	11,708	(9,995)	(11,708)	-	-
Change in net position	26,979	20,918	13,251	8,180	40,230	29,098
Net position - beginning of year, as restated	(29,307)	(50,349)	12,947	4,767	(16,360)	(45,582)
Net position - end of year	\$ (2,328)	\$ (29,431)	\$ 26,198	\$ 12,947	\$ 23,870	\$ (16,484)

**Governmental Activities**

Governmental activities for the year resulted in a change in net position of \$26,978,736. Key elements of this change are as follows:

General Fund operations	\$ 7,133,140
Capital assets financed with current year revenues	6,067,775
Change in net pension liability and related deferrals	4,135,144
Change in net OPEB liability and related deferrals	9,942,748
Other	<u>(300,071)</u>
Total	\$ <u>26,978,736</u>

**Business-Type Activities**

Business-type (electric light) activities for the year resulted in a change in net position of \$13,250,587, primarily because bond debt service payments continued to exceed depreciation expense.

**Financial Analysis of the Town's Funds**

As noted earlier, fund accounting is used 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, 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.

**General Fund**

The General Fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$22,647,047 while total fund balance was \$29,204,603. The unassigned fund balance increased by \$5,765,067 primarily from positive budgetary results as shown on page 68.

As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>	<u>% of General Fund Expenditures*</u>
Unassigned fund balance	\$ 22,647,047	\$ 16,881,980	\$ 5,765,067	15.9%
Total fund balance	\$ 29,204,603	\$ 22,071,463	\$ 7,133,140	20.4%

\*Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth of Massachusetts to the Massachusetts Teachers Retirement System of \$6,372,801.

The total fund balance of the General Fund changed by \$7,133,140 during the current fiscal year. Key factors in this change are as follows:

Positive budgetary results	7,765,753
Change in stabilization balance	2,651,835
Other	1,032,795
Total	<u>\$ 7,133,140</u>

Included in the total fund balance of the General Fund is the Town's stabilization accounts with the following balances:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>
General stabilization	\$ 7,665,807	\$ 5,895,291	\$ 1,770,516
DPW stabilization	<u>2,319,713</u>	<u>1,438,394</u>	<u>881,319</u>
Total	<u>\$ 9,985,520</u>	<u>\$ 7,333,685</u>	<u>\$ 2,651,835</u>

#### *Other Major Funds*

The Sale of Real Estate Fund includes the sale of Forbes Land.

The Water Improvement Fund includes various projects temporarily financed with notes payable.

#### *Nonmajor Governmental Funds*

The fund balance of nonmajor governmental funds changed by \$4,215,861 primarily from timing differences between the receipt and disbursement of grants and permanent financing of capital projects.

### ***Proprietary Funds***

Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$3,651,643, a change of \$11,017,628 in comparison to the prior year.

Other factors concerning the finances of the Electric Light Fund have already been addressed in the entity-wide discussion of business-type activities.

### **General Fund Budgetary Highlights**

In total, there was no overall change between the original budget and the final amended budget.

### **Capital Assets and Debt Administration**

#### ***Capital Assets***

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$221,510,061 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, infrastructure, and machinery, equipment, and furnishings.

Major capital asset events during the current fiscal year included the following:

- \$1,028,598 – Parking lot construction
- \$915,415 – Water main improvements
- \$718,125 – Westover bridge construction

Additional information on capital assets can be found in the Notes to Financial Statements.

#### ***Long-Term Debt***

At the end of the current fiscal year, total bonded debt outstanding was \$93,122,877, all of which was backed by the full faith and credit of the Town.

The Town maintained their AA+ rating from S&P Global Rating for general obligation debt.

Additional information on long-term debt can be found in the Notes to Financial Statements.

## **Requests for Information**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of the Director of Finance and Accounting

Town of Norwood, Massachusetts

566 Washington Street

Norwood, Massachusetts 02062

**TOWN OF NORWOOD, MASSACHUSETTS**

Statement of Net Position  
June 30, 2021

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Current:			
Cash and short-term investments	\$ 59,780,428	\$ 12,772,756	\$ 72,553,184
Investments	11,045,208	5,393,979	16,439,187
Receivables, net of allowance for uncollectibles:			
Property taxes	704,892	-	704,892
Excise taxes	1,242,952	-	1,242,952
User fees	1,334,475	6,327,043	7,661,518
Departmental and other	19,943	-	19,943
Intergovernmental	51,123	-	51,123
Deposits held by others	<u>-</u>	<u>6,195,190</u>	<u>6,195,190</u>
Total Current Assets	74,179,021	30,688,968	104,867,989
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	227,508	-	227,508
Capital assets:			
Nondepreciable capital assets	22,571,087	13,517,534	36,088,621
Other capital assets, net of accumulated depreciation	<u>147,323,675</u>	<u>38,097,765</u>	<u>185,421,440</u>
Total Noncurrent Assets	<u>170,122,270</u>	<u>51,615,299</u>	<u>221,737,569</u>
Total Assets	244,301,291	82,304,267	326,605,558
<b>Deferred Outflows of Resources</b>			
Related to pension	<u>8,898,219</u>	<u>419,288</u>	<u>9,317,507</u>
Total Deferred Outflows of Resources	8,898,219	419,288	9,317,507

(continued)

The accompanying notes are an integral part of these financial statements.



**TOWN OF NORWOOD, MASSACHUSETTS**

Statement of Net Position  
June 30, 2021

(continued)	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>Liabilities</b>			
Current:			
Warrants and accounts payable	478,046	96,136	574,182
Accrued liabilities	4,950,254	127,125	5,077,379
Unearned revenue	1,555,636	-	1,555,636
Customer deposits and reserves	-	6,811,744	6,811,744
Notes payable	28,531,869	-	28,531,869
Other current liabilities	338,426	-	338,426
Current portion of long-term liabilities:			
Bonds payable	6,417,103	8,000,631	14,417,734
Landfill	20,000	-	20,000
Compensated absences	152,717	19,829	172,546
<b>Total Current Liabilities</b>	<b>42,444,051</b>	<b>15,055,465</b>	<b>57,499,516</b>
Noncurrent:			
Bonds payable, net of current portion	48,581,861	32,696,144	81,278,005
Landfill, net of current portion	140,000	-	140,000
Compensated absences, net of current portion	2,901,627	376,758	3,278,385
Net pension liability	22,060,488	1,039,499	23,099,987
Net OPEB liability	91,828,392	4,326,992	96,155,384
<b>Total Noncurrent Liabilities</b>	<b>165,512,368</b>	<b>38,439,393</b>	<b>203,951,761</b>
<b>Total Liabilities</b>	<b>207,956,419</b>	<b>53,494,858</b>	<b>261,451,277</b>
<b>Deferred Inflows of Resources</b>			
Related to pension	13,683,813	644,787	14,328,600
Related to OPEB	33,887,693	1,596,802	35,484,495
Related to refunding	-	789,280	789,280
<b>Total Deferred Inflows of Resources</b>	<b>47,571,506</b>	<b>3,030,869</b>	<b>50,602,375</b>
<b>Net Position</b>			
Net investment in capital assets	106,372,986	22,546,185	128,919,171
Restricted for:			
Grants and other statutory restrictions	4,520,724	-	4,520,724
Education	4,109,458	-	4,109,458
Conservation	2,169,447	-	2,169,447
Donations	1,590,519	-	1,590,519
Community preservation	943,873	-	943,873
Sale of real estate	675,750	-	675,750
Permanent funds:			
Nonexpendable	674,748	-	674,748
Expendable	728,780	-	728,780
Unrestricted	(124,114,700)	3,651,643	(120,463,057)
<b>Total Net Position</b>	<b>\$ (2,328,415)</b>	<b>\$ 26,197,828</b>	<b>\$ 23,869,413</b>

The accompanying notes are an integral part of these financial statements.

**TOWN OF NORWOOD, MASSACHUSETTS**

Statement of Activities  
For the Year Ended June 30, 2021

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental Activities</b>							
General government	\$ 9,986,454	\$ 1,950,575	\$ 2,559,029	\$ -	\$ (5,476,850)	\$ -	\$ (5,476,850)
Public safety	20,176,402	4,504,265	246,183	-	(15,425,954)	-	(15,425,954)
Education	83,530,179	1,049,051	21,845,933	165,131	(60,470,064)	-	(60,470,064)
Public works	14,808,997	2,891,208	1,493,510	962,953	(9,461,326)	-	(9,461,326)
Water and sewer	13,668,742	16,704,308	-	-	3,035,566	-	3,035,566
Broadband cable	6,253,418	8,392,347	-	-	2,138,929	-	2,138,929
Health and human services	2,042,333	129,262	522,528	-	(1,390,543)	-	(1,390,543)
Culture and recreation	4,454,162	508,611	146,764	-	(3,798,787)	-	(3,798,787)
Interest on long-term debt	1,805,033	-	-	-	(1,805,033)	-	(1,805,033)
Intergovernmental	2,342,746	-	-	-	(2,342,746)	-	(2,342,746)
Total Governmental Activities	159,068,466	36,129,627	26,813,947	1,128,084	(94,996,808)	-	(94,996,808)
<b>Business-Type Activities</b>							
Electric light services	37,385,918	60,115,586	-	-	-	22,729,668	22,729,668
Total	\$ 196,454,384	\$ 96,245,213	\$ 26,813,947	\$ 1,128,084	(94,996,808)	22,729,668	(72,267,140)
<b>General Revenues, Contributions, and Transfers</b>							
					88,948,190	-	88,948,190
Property taxes					4,936,359	-	4,936,359
Excise taxes					1,417,307	-	1,417,307
Penalties, interest, and other taxes							
Grants and contributions not restricted to specific programs					14,501,177	-	14,501,177
Investment income					1,029,089	516,360	1,545,449
Miscellaneous					1,147,981	-	1,147,981
Transfers, net					9,995,441	(9,995,441)	-
Total general revenues, contributions, and transfers					121,975,544	(9,479,081)	112,496,463
Change in Net Position					26,978,736	13,250,587	40,229,323
<b>Net Position</b>							
Beginning of year, as restated					(29,307,151)	12,947,241	(16,359,910)
End of year					\$ (2,328,415)	\$ 26,197,828	\$ 23,869,413

The accompanying notes are an integral part of these financial statements.

**TOWN OF NORWOOD, MASSACHUSETTS**

Governmental Funds  
Balance Sheet  
June 30, 2021

	<u>General</u> <u>Fund</u>	<u>Sale of</u> <u>Real Estate</u> <u>Fund</u>	<u>Water</u> <u>Improvement</u> <u>Fund</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>Assets</b>					
Cash and short-term investments	\$ 23,984,155	\$ 13,025,750	\$ 4,269,848	\$ 18,500,675	\$ 59,780,428
Investments	9,985,520	-	-	1,059,688	11,045,208
Receivables:					
Property taxes	1,240,544	-	-	8,297	1,248,841
Excise taxes	1,481,210	-	-	-	1,481,210
User fees	1,882,515	-	-	-	1,882,515
Departmental and other	22,159	-	-	-	22,159
Intergovernmental	-	-	-	51,123	51,123
Total Assets	<u>\$ 38,596,103</u>	<u>\$ 13,025,750</u>	<u>\$ 4,269,848</u>	<u>\$ 19,619,783</u>	<u>\$ 75,511,484</u>
<b>Liabilities</b>					
Warrants and accounts payable	\$ 248,258	\$ -	\$ -	\$ 229,788	\$ 478,046
Accrued liabilities	4,561,905	-	-	-	4,561,905
Unearned revenue	-	-	-	1,555,636	1,555,636
Notes payable	-	12,350,000	4,500,000	11,681,869	28,531,869
Other liabilities	<u>336,036</u>	<u>-</u>	<u>-</u>	<u>2,390</u>	<u>338,426</u>
Total Liabilities	5,146,199	12,350,000	4,500,000	13,469,683	35,465,882
<b>Deferred Inflows of Resources</b>					
Unavailable revenues	4,245,301	-	-	8,297	4,253,598
<b>Fund Balances</b>					
Nonspendable	-	-	-	674,748	674,748
Restricted	-	675,750	-	16,716,310	17,392,060
Committed	2,319,713	-	-	-	2,319,713
Assigned	4,237,843	-	-	-	4,237,843
Unassigned	<u>22,647,047</u>	<u>-</u>	<u>(230,152)</u>	<u>(11,249,255)</u>	<u>11,167,640</u>
Total Fund Balances	<u>29,204,603</u>	<u>675,750</u>	<u>(230,152)</u>	<u>6,141,803</u>	<u>35,792,004</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 38,596,103</u>	<u>\$ 13,025,750</u>	<u>\$ 4,269,848</u>	<u>\$ 19,619,783</u>	<u>\$ 75,511,484</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF NORWOOD, MASSACHUSETTS**

Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
in the Statement of Net Position  
June 30, 2021

<b>Total governmental fund balances</b>	\$ 35,792,004
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	169,894,762
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	3,148,643
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds payable	(54,998,964)
Net pension liability and related deferrals	(26,846,082)
Net OPEB liability and related deferrals	(125,716,085)
Compensated absences	(3,054,344)
Accrued interest	(388,349)
Landfill liability	<u>(160,000)</u>
<b>Net position of governmental activities</b>	\$ <u><u>(2,328,415)</u></u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF NORWOOD, MASSACHUSETTS**

Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2021

	General Fund	Sale of Real Estate Fund	Water Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property taxes	\$ 88,220,194	\$ -	\$ -	\$ 742,801	\$ 88,962,995
Excise taxes	4,122,853	-	-	-	4,122,853
User fees	16,647,912	-	-	-	16,647,912
Penalties, interest, and other taxes	1,417,307	-	-	-	1,417,307
Charges for services	10,933,400	-	-	3,916,272	14,849,672
Intergovernmental	21,096,151	-	-	12,857,141	33,953,292
Licenses and permits	3,577,111	-	-	34,475	3,611,586
Investment income	878,607	-	-	150,482	1,029,089
Contributions and donations	-	-	-	399,817	399,817
Miscellaneous	23,291	675,750	-	59,563	758,604
<b>Total Revenues</b>	<b>146,916,826</b>	<b>675,750</b>	<b>-</b>	<b>18,160,551</b>	<b>165,753,127</b>
<b>Expenditures</b>					
Current:					
General government	6,693,036	-	-	3,596,949	10,289,985
Public safety	17,176,859	-	-	1,327,246	18,504,105
Education	59,154,704	-	-	8,822,020	67,976,724
Public works	7,633,042	-	230,152	6,243,405	14,106,599
Broadband cable	6,274,913	-	-	-	6,274,913
Water and sewer	13,668,742	-	-	-	13,668,742
Health and human services	1,371,010	-	-	354,364	1,725,374
Culture and recreation	3,362,114	-	-	381,245	3,743,359
Employee benefits	23,076,224	-	-	220,232	23,296,456
Debt service:					
Principal	6,367,151	-	-	-	6,367,151
Interest	2,073,348	-	-	-	2,073,348
Intergovernmental	2,342,747	-	-	-	2,342,747
<b>Total Expenditures</b>	<b>149,193,890</b>	<b>-</b>	<b>230,152</b>	<b>20,945,461</b>	<b>170,369,503</b>
Excess of revenues over expenditures	(2,277,064)	675,750	(230,152)	(2,784,910)	(4,616,376)
<b>Other Financing Sources (Uses)</b>					
Bond proceeds	-	-	-	5,314,600	5,314,600
Bond premium	243,225	-	-	857,709	1,100,934
Transfers in	14,541,797	-	-	4,084,328	18,626,125
Transfers out	(5,374,818)	-	-	(3,255,866)	(8,630,684)
<b>Total Other Financing Sources</b>	<b>9,410,204</b>	<b>-</b>	<b>-</b>	<b>7,000,771</b>	<b>16,410,975</b>
Change in fund balance	7,133,140	675,750	(230,152)	4,215,861	11,794,599
Fund Balance, at Beginning of Year, as reclassified	22,071,463	-	-	1,925,942	23,997,405
Fund Balance, at End of Year	\$ <u>29,204,603</u>	\$ <u>675,750</u>	\$ <u>(230,152)</u>	\$ <u>6,141,803</u>	\$ <u>35,792,004</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF NORWOOD, 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, 2021

<b>Net changes in fund balances - total governmental funds</b>	<b>\$ 11,794,599</b>																				
<ul style="list-style-type: none"> <li>• Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Capital outlay</td> <td style="text-align: right;">6,067,775</td> </tr> <tr> <td>Net effect from disposal of assets</td> <td style="text-align: right;">(35,807)</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(7,321,037)</td> </tr> </table> </li> <li>• The issuance of long-term debt 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: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Issuance of debt</td> <td style="text-align: right;">(5,314,600)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">6,367,151</td> </tr> </table> </li> <li>• Revenues 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, net of change in allowance for doubtful accounts. <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">1,339,029</td> </tr> </table> </li> <li>• 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 the governmental funds. <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Change in net pension liability and related deferred outflows and inflows</td> <td style="text-align: right;">4,135,144</td> </tr> <tr> <td>Change in net OPEB liability and related deferred outflows and inflows</td> <td style="text-align: right;">9,942,748</td> </tr> <tr> <td>Change in compensated absences</td> <td style="text-align: right;">(88,961)</td> </tr> </table> </li> <li>• Other differences <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;"><u>92,695</u></td> </tr> </table> </li> </ul>		Capital outlay	6,067,775	Net effect from disposal of assets	(35,807)	Depreciation	(7,321,037)	Issuance of debt	(5,314,600)	Repayments of debt	6,367,151		1,339,029	Change in net pension liability and related deferred outflows and inflows	4,135,144	Change in net OPEB liability and related deferred outflows and inflows	9,942,748	Change in compensated absences	(88,961)		<u>92,695</u>
Capital outlay	6,067,775																				
Net effect from disposal of assets	(35,807)																				
Depreciation	(7,321,037)																				
Issuance of debt	(5,314,600)																				
Repayments of debt	6,367,151																				
	1,339,029																				
Change in net pension liability and related deferred outflows and inflows	4,135,144																				
Change in net OPEB liability and related deferred outflows and inflows	9,942,748																				
Change in compensated absences	(88,961)																				
	<u>92,695</u>																				
<b>Change in net position of governmental activities</b>	<b>\$ <u>26,978,736</u></b>																				

The accompanying notes are an integral part of these financial statements.

**TOWN OF NORWOOD, MASSACHUSETTS**

Proprietary Funds  
Statement of Net Position  
June 30, 2021

	Business-Type Activities <u>Enterprise Funds</u> Electric Light <u>Fund</u>
<b>Assets</b>	
Current:	
Cash and short-term investments	\$ 12,772,756
Investments	5,393,979
User fees receivable	6,327,043
Deposits held by others	<u>6,195,190</u>
Total Current Assets	30,688,968
Noncurrent:	
Capital assets	
Nondepreciable capital assets	13,517,534
Other capital assets, net of accumulated depreciation	<u>38,097,765</u>
Total Noncurrent Assets	<u>51,615,299</u>
Total Assets	82,304,267
<b>Deferred Outflows of Resources</b>	
Related to pension	<u>419,288</u>
Total Deferred Outflows of Resources	419,288
<b>Liabilities</b>	
Current:	
Warrants and accounts payable	96,136
Accrued liabilities	127,125
Customer deposits and reserves	6,811,744
Current portion of long-term liabilities:	
Bonds payable	8,000,631
Compensated absences	<u>19,829</u>
Total Current Liabilities	15,055,465
Noncurrent:	
Bonds payable, net of current portion	32,696,144
Net pension liability	1,039,499
Net OPEB liability	4,326,992
Compensated absences, net of current portion	<u>376,758</u>
Total Noncurrent Liabilities	<u>38,439,393</u>
Total Liabilities	53,494,858
<b>Deferred Inflows of Resources</b>	
Related to pensions	644,787
Related to OPEB	1,596,802
Related to refunding	<u>789,280</u>
Total Deferred Inflows of Resources	3,030,869
<b>Net Position</b>	
Net investment in capital assets	22,546,185
Unrestricted	<u>3,651,643</u>
Total Net Position	<u>\$ 26,197,828</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF NORWOOD, MASSACHUSETTS**

Proprietary Funds  
Statement of Revenues, Expenses, and Changes In Fund Net Position  
For the Year Ended June 30, 2021

	Business-Type Activities <u>Enterprise Funds</u> Electric Light <u>Fund</u>
<b>Operating Revenues</b>	
Charges for services	\$ <u>60,115,586</u>
Total Operating Revenues	60,115,586
<b>Operating Expenses</b>	
Salaries and benefits	4,306,487
Purchase power	25,914,599
Other operating expenses	2,602,489
Administrative costs	941,298
Depreciation	<u>2,204,452</u>
Total Operating Expenses	<u>35,969,325</u>
Operating Income	24,146,261
<b>Nonoperating Revenues (Expenses)</b>	
Interest expense	(1,416,593)
Investment income	<u>516,360</u>
Total Nonoperating Revenues (Expenses), Net	<u>(900,233)</u>
Income Before Transfers	23,246,028
<b>Transfers out</b>	<u>(9,995,441)</u>
Change in Net Position	13,250,587
Net Position, Beginning of Year	<u>12,947,241</u>
Net Position, End of Year	\$ <u><u>26,197,828</u></u>

The accompanying notes are an integral part of these financial statements.



**TOWN OF NORWOOD, MASSACHUSETTS**

Proprietary Funds  
Statement Of Cash Flows  
For the Year Ended June 30, 2021

	Business-Type Activities <u>Enterprise Funds</u> Electric Light <u>Fund</u>
<b>Cash Flows From Operating Activities</b>	
Receipts from customers and users	\$ 60,614,581
Customer deposits	1,717,914
Payments to employees	(4,958,293)
Payments to vendors	<u>(34,421,260)</u>
Net Cash Provided By Operating Activities	22,952,942
<b>Cash Flows From Noncapital Financing Activities</b>	
Transfers out	<u>(9,995,441)</u>
Net Cash Used For Noncapital Financing Activities	(9,995,441)
<b>Cash Flows From Capital and Related Financing Activities</b>	
Acquisition and construction of capital assets	(301,825)
Principal payments on bonds	(16,285,000)
Proceeds of bonds	7,675,000
Interest expense	(2,102,504)
Deferred inflow on refunding	<u>789,280</u>
Net Cash Used For Capital and Related Financing Activities	(10,225,049)
<b>Cash Flows From Investing Activities</b>	
Investment income	516,360
Purchase of investments	<u>(893,703)</u>
Net Cash Used For Investing Activities	<u>(377,343)</u>
Net Change in Cash and Short-Term Investments	2,355,109
Cash and Short-Term Investments, Beginning of Year	<u>10,417,647</u>
Cash and Short-Term Investments, End of Year	\$ <u><u>12,772,756</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 24,146,261
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	2,204,452
Changes in assets, liabilities, and deferred outflows/inflows:	
User fees receivable	498,995
Other assets	(600,403)
Customer deposits	1,717,914
Deferred outflows - related to pensions	153,630
Deferred outflows - related to OPEB	1,055
Warrants and accounts payable	(3,388,307)
Accrued liabilities	(974,164)
Net pension liability	(595,590)
Net OPEB liability	121,775
Deferred inflows - related to pensions	247,110
Deferred inflows - related to OPEB	(591,337)
Other liabilities	<u>11,551</u>
Net Cash Provided By Operating Activities	\$ <u><u>22,952,942</u></u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF NORWOOD, MASSACHUSETTS**

Fiduciary Funds  
Statement of Fiduciary Net Position  
June 30, 2021

	<u>Pension and OPEB Trust Funds</u>	<u>Custodial Funds</u>
<b>Assets</b>		
Cash and short-term investments	\$ 4,111,036	\$ 52,440
Investments:		
Corporate equities	38,644,341	-
Equity mutual funds	130,220,344	-
External investment pool	22,188,704	-
Fixed income mutual funds	<u>7,949,667</u>	<u>-</u>
Total Investments	199,003,056	-
Accounts receivable	<u>224,000</u>	<u>-</u>
Total Assets	203,338,092	52,440
 <b>Liabilities</b>		
Warrants and accounts payable	<u>158,018</u>	<u>-</u>
Total Liabilities	158,018	-
 <b>Net Position</b>		
Restricted for pensions	198,253,010	-
Restricted for OPEB purposes	4,927,064	-
Restricted for individuals and organizations	<u>-</u>	<u>52,440</u>
Total Net Position	\$ <u><u>203,180,074</u></u>	\$ <u><u>52,440</u></u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF NORWOOD, MASSACHUSETTS**

Fiduciary Funds  
Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2021

	<u>Pension and OPEB Trust Funds</u>	<u>Custodial Funds</u>
<b>Additions</b>		
Contributions:		
Employer	\$ 11,782,940	\$ -
Plan members	3,776,814	-
Other systems and Commonwealth of Massachusetts	396,394	-
Fees collected for students	-	31,413
Other	<u>21,735</u>	<u>-</u>
Total contributions	15,977,883	31,413
Investment Income:		
Increase in fair value of investments	26,259,267	-
Less: management fees	<u>(1,025,234)</u>	<u>-</u>
Net investment income	<u>25,234,033</u>	<u>-</u>
Total additions	41,211,916	31,413
<b>Deductions</b>		
Benefit payments to plan members and beneficiaries	19,931,920	-
Refunds to plan members	67,876	-
Transfers to other systems	12,166	-
Administrative expenses	360,116	-
Payments on behalf of students	<u>-</u>	<u>42,965</u>
Total deductions	<u>20,372,078</u>	<u>42,965</u>
Change in net position	20,839,838	(11,552)
<b>Net Position Restricted for Pension, OPEB, and Other Purposes</b>		
Beginning of year	<u>182,340,236</u>	<u>63,992</u>
End of year	<u>\$ 203,180,074</u>	<u>\$ 52,440</u>

The accompanying notes are an integral part of these financial statements.

# TOWN OF NORWOOD, MASSACHUSETTS

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Norwood, Massachusetts (the Town) conform to Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. The following is a summary of the significant policies:

#### ***Reporting Entity***

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by GAAP, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2021, it was determined that no entities met the required GASB 14 (as amended) criteria of component units. The criteria provided in Governmental Accounting Standards Board Codification section 2100 have been considered, and as a result, the component unit discussed below is included in the Town's reporting entity because of its operational significance and financial relationship with the Town.

#### *Fiduciary Component Unit*

The Norwood Contributory Retirement System (the System) was established to provide retirement benefits primarily to employees and their beneficiaries. The System is presented using the accrual basis of accounting and is reported as a part of the pension and OPEB trust funds in the fiduciary fund financial statements. Additional financial information of the System can be obtained by contacting the System located at the office of the Retirement Board, Norwood Town Hall, 566 Washington Street, 3<sup>rd</sup> Floor, Norwood, Massachusetts 02062.

#### ***Government-Wide and Fund Financial Statements***

##### *Government-Wide Financial Statements*

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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.

### ***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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

#### *Fund Financial Statements*

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *General Fund* is the Town'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 *Sale of Real Estate Fund* is the Town's fund to track the sale of Forbes Land in fiscal year 2021.
- The *Water Improvement Fund* is the Town's fund that accounts for various water capital projects.

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 an 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 nonoperating revenues and expenses.

The Town reports the following major proprietary fund:

- Electric Light (Enterprise) Fund: To account for the operation of the Town's electric light operations, which provide electric power to commercial and residential citizens in the Town of Norwood.

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

The Town reports the following fiduciary funds:

- The *Pension Trust Fund* accounts for the activities of the Norwood Contributory Retirement System, which accumulates resources for pension benefit payments to qualified employees.
- The *Other Post-Employment Benefit Trust Fund* is used to accumulate resources for health benefits for retired employees.
- The *Custodial Funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others.

### **Cash and Investments**

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, money markets, and savings accounts. Generally, a cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the financial statements under the caption "cash and short-term investments".

For purpose of the Statement of Cash Flows, the proprietary funds consider investments with original maturities of three months or less to be cash equivalents.

Where applicable, fair values are based on quotations from national securities exchanges, except for certain investments that are required to be presented using the net asset value (NAV). The NAV per share is the amount of net assets attributable to each share outstanding at the close of the period. Investments measured using NAV for fair value are not subject to level classification.

The Town invests in the Massachusetts Municipal Depository Trust (MMDT) Cash Portfolio, an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts of Massachusetts. This cash portfolio meets the requirements of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, where investments are valued at amortized cost.

Investments are carried at fair value, except for certificates of deposits which are not market-linked which are reported at cost.

#### ***Property Tax Limitations***

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth), unless an override is voted. The actual fiscal year 2021 tax levy reflected an excess capacity of \$174,768. Certain provisions of Proposition 2 ½ can be overridden by a referendum.

#### ***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$25,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	30 - 75
Vehicles	5
Office equipment	5
Computer equipment	5

***Compensated Absences***

It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

***Long-Term Obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

***Fund Equity***

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

***Fund Balance***

Generally, fund balance represents the difference between current assets/deferred outflows and current liabilities/deferred inflows. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods. The General Fund is the only fund that reports a positive unassigned fund balance.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

***Net Position***

Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition,



construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use either through enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

### ***Use of Estimates***

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

## **2. Stewardship, Compliance, and Accountability**

### ***Budgetary Information***

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the reserve fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund and proprietary funds. Effective budgetary control is achieved for all other funds through provisions of Massachusetts General Laws.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

### ***Deficit Fund Equity***

Certain individual funds reflected deficit balances as of June 30, 2021.

It is anticipated that the deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

### 3. Deposits and Investments *(Excluding the Pension and OPEB Trust Funds)*

Massachusetts General Laws (MGL) Chapter 44, Section 55 place certain limitation on the nature of deposits and investments available to the Town. Deposits, including demand deposits, money markets, certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. Investments may be made in unconditionally guaranteed U.S. government obligations with maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include certificates of deposits having a maturity date of up to 3 years from the date of purchase, national banks, and Massachusetts Municipal Depository Trust (MMDT). MMDT, which is an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts of Massachusetts, meets the criteria established by Governmental Accounting Standards Board 79. MMDT has an average maturity of less than 1 year and is not rated or subject to custodial credit risk disclosure. MGL Chapter 44, Section 54 provides additional investment options for certain special revenue, trust, and OPEB funds.

#### ***Custodial Credit Risk – Deposits***

Custodial credit risk is the risk that in the event of bank failure, the Town’s deposits may not be returned. Massachusetts General Laws Chapter 44, Section 55, limits the Town’s deposits “in a bank or trust company or banking company to an amount not exceeding 60% of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess.” The Town does not have formal deposit policies related to the custodial credit risk of deposits.

As of June 30, 2021, \$50,791,663 of the Town’s bank balance of \$75,348,001 was exposed to custodial credit risk as uninsured and uncollateralized, and \$17,105,311 was collateralized by securities held by the pledging financial institution. Additionally, \$7,451,027 was invested in MMDT, which is not subject to this disclosure.

#### ***Investment Summary***

The following is a summary of the Town’s investments as of June 30, 2021:

<u>Investment Type</u>	<u>Amount</u>
Corporate bonds	\$ 3,099,389
Corporate equities	5,319,818
Equity mutual funds	2,868,893
Federal agency securities	2,036,351
Market-linked certificates of deposit	325,132
U.S. Treasury notes	<u>2,789,604</u>
Total investments	<u>\$ 16,439,187</u>

**Custodial Credit Risk – Investments**

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Town will not be able to recover the value of its investment or collateral securities that are in possession of another party. The Town does not have formal investment policies related to custodial credit risk.

As of June 30, 2021, \$4,249,637 of the investments were subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and held by the Town’s brokerage firm.

**Credit Risk – Investments in Debt Securities**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. The Town does not have formal investment policies related to credit risk.

As of June 30, 2021, the credit quality ratings, as rated by S&P Global Ratings, of the Town’s debt securities are as follows (U.S. Treasury notes have an implied rating of AAA):

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>				
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Unrated</u>
Corporate bonds	\$ 3,099,389	\$ 213,268	\$ 1,078,956	\$ 1,345,427	\$ 461,738	\$ -
Federal agency securities	2,036,351	1,922,037	114,314	-	-	-
Market-linked certificates of deposit	<u>325,132</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>325,132</u>
Total	\$ <u>5,460,872</u>	\$ <u>2,135,305</u>	\$ <u>1,193,270</u>	\$ <u>1,345,427</u>	\$ <u>461,738</u>	\$ <u>325,132</u>

**Concentration of Credit Risk – Investments**

Concentration of credit risk is the risk of loss attributable to the magnitude of the Town’s investment in a single issuer. The Town places no limit on the amount invested in any one issuer. The Town does not have formal investment policies related to concentration of credit risk exposure.

As of June 30, 2021, the Town does not have investments in any one issuer that exceeded 5% of total investments.

**Interest Rate Risk – Investments in Debt Securities**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Town’s investments to market interest rate fluctuations is as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Corporate bonds	\$ 3,099,389	\$ 171,372	\$ 1,715,151	\$ 1,212,866
Federal agency securities	2,036,351	-	1,772,494	263,857
Market-linked certificates of deposit	325,132	52,155	272,977	-
U.S. Treasury notes	<u>2,789,604</u>	<u>331,191</u>	<u>1,397,376</u>	<u>1,061,037</u>
Total	<u>\$ 8,250,476</u>	<u>\$ 554,718</u>	<u>\$ 5,157,998</u>	<u>\$ 2,537,760</u>

**Foreign Currency Risk – Investments**

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have formal investment policies related to foreign currency risk.

**Fair Value**

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* (GASB 72).

The hierarchy is based on the valuation inputs used to measure the fair value of the asset or liability and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as Level 2.
- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

The Town has the following fair value measurements as of June 30, 2021:

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>	
		Quoted prices in active markets for identical assets <u>(Level 1)</u>	Significant observable inputs <u>(Level 2)</u>
Investments by fair value level:			
Corporate bonds	\$ 3,099,389	\$ -	\$ 3,099,389
Corporate equities	5,319,818	5,319,818	-
Equity mutual funds	2,868,893	2,868,893	-
Federal agency securities	2,036,351	-	2,036,351
Market-linked certificates of deposit	325,132	325,132	-
U.S. Treasury notes	<u>2,789,604</u>	<u>2,789,604</u>	<u>-</u>
Total	\$ <u>16,439,187</u>	\$ <u>11,303,447</u>	\$ <u>5,135,740</u>

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that is readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

#### 4. Investments - OPEB Trust Fund

Generally, the Town's OPEB investment policies mirror that of the Town as discussed in the previous note.

The following is a summary of the OPEB Trust Fund's investments as of June 30, 2021:

<u>Investment Type</u>	<u>Amount</u>
Corporate equities	\$ 455,140
Equity mutual funds	3,322,938
Fixed income mutual funds	<u>1,148,986</u>
Total investments	\$ <u>4,927,064</u>

**Custodial Credit Risk**

As of June 30, 2021, the OPEB Trust Fund did not have investments subject to custodial credit risk exposure as all assets were held in the Town’s name.

**Concentration of Credit Risk**

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure.

As of June 30, 2021, the OPEB Trust Fund does not have an investment in one issuer greater than 5% of total investments.

**Fair Value**

The OPEB Trust Fund has the following fair value measurements as of June 30, 2021:

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>	
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>
Investments by fair value level:			
Corporate equities	\$ 455,140	\$ 455,140	\$ -
Equity mutual funds	3,322,938	3,322,938	-
Fixed income mutual funds	<u>1,148,986</u>	<u>-</u>	<u>1,148,986</u>
Total	<u>\$ 4,927,064</u>	<u>\$ 3,778,078</u>	<u>\$ 1,148,986</u>

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that is readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

## 5. Investments - Pension Trust Fund (The System)

The following is a summary of the System's investments as of December 31, 2020:

<u>Investment Type</u>	<u>Amount</u>
Corporate equities	\$ 38,189,201
Equity mutual funds	126,897,406
External investment pool*	22,188,704
Fixed income mutual funds	<u>6,800,681</u>
Total investments	<u>\$ 194,075,992</u>

*\* The Pension Reserves Investment Trust (PRIT) was created under MGL, Chapter 32, Section 22, in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Laws, Chapter 30B.*

### **Custodial Credit Risk**

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The System's investment policy manages custodial credit risk through diversification and the "prudent person" principles outlined in PERAC guidelines.

As of December 31, 2020, \$38,189,201 of the System's investments were exposed to custodial credit risk as uninsured and uncollateralized.

Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

### **Credit Risk – Investments in Debt Securities**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. MGL, Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, in the PRIT fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth of Massachusetts, provided that no more than the established percentage of assets, is invested in any one security.

Due to their nature, none of the System's investments are subject to credit risk disclosure.

**Concentration of Credit Risk**

Massachusetts General Laws Chapter 32, Section 23 limit the amount the System may invest in any one issuer or security type, with the exception of PRIT.

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure.

As of December 31, 2020, the System did not have any investments subject to concentration of credit risk disclosure as its investment classifications exceeding 5% were exempt.

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The System does not have formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the System’s investments to market interest rate fluctuations is as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>		
		<u>1-5</u>	<u>6-10</u>	<u>Thereafter</u>
Fixed income mutual funds	\$ <u>6,800,681</u>	\$ <u>3,996,198</u>	\$ <u>1,267,042</u>	\$ <u>1,537,441</u>

**Foreign Currency Risk**

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The System does not have formal investment policies related to foreign currency risk.

**Fair Value**

The System categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* (GASB 72).



The hierarchy is based on the valuation inputs used to measure the fair value of the asset or liability. The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – Inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2 – Inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as level 2.
- Level 3 – Unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

The net asset value (NAV) per share is the amount of net assets attributable to each share outstanding at the close of the period. Investments measured at the NAV for fair value are not subject to level classification.

The System has the following fair value measurements as of December 31, 2020:

<u>Investment Type</u>	<u>Amount</u>	Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level:				
Corporate equities	\$ 38,189,201	\$ 38,189,201	\$ -	\$ -
Equity mutual funds	126,897,406	126,897,406	-	-
Fixed income mutual funds	6,800,681	-	6,800,681	-
Investments measured at the net asset value (NAV):				
External investment pools	<u>22,188,704</u>	-	-	-
Total	\$ <u>194,075,992</u>	\$ <u>165,086,607</u>	\$ <u>6,800,681</u>	\$ <u>-</u>
<u>Investment Type</u>	<u>Amount</u>	<u>Unfunded Commitments</u>	Redemption Frequency (If currently eligible)	Redemption Notice Period
External investment pools	\$ <u>22,188,704</u>	\$ <u>-</u>	Monthly	30 Days

## 6. Property Taxes and Excises Receivable

Real and personal property taxes are based on market values assessed as of each January 1. By law, all taxable property must be assessed at 100% of fair cash value. Also by law, property taxes must be levied at least 30 days prior to their due date. Once levied, these taxes are recorded as receivables, net of estimated uncollectible balances. Property tax revenues have

been recorded using the accrual and modified accrual basis of accounting in the government-wide and fund basis statements, respectively.

The Town bills and collects its property taxes on a quarterly basis following the January 1 assessment. The due dates for those quarterly tax billings are August 1, November 1, February 1, and May 1. Property taxes that remain unpaid after the respective due dates are subject to penalties and interest charges.

Based on the Town’s experience, most property taxes are collected during the year in which they are assessed. Liening of properties on which taxes remain unpaid generally occurs annually. The Town ultimately has the right to foreclose on all properties where the taxes remain unpaid.

A statewide property tax limitation known as “Proposition 2 ½” limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½% of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2 ½% of the prior year’s levy plus the taxes on property newly added to the tax rolls.

Motor vehicle excise taxes are assessed annually for every motor vehicle and trailer registered in the Commonwealth of Massachusetts of Massachusetts. The Registry of Motor Vehicles annually calculates the value of all registered motor vehicles for the purpose of excise assessment. The amount of motor vehicle excise tax due is calculated using a fixed rate of \$25 per \$1,000 of value.

Property taxes, excise, and departmental receivables at June 30, 2021 consisted of the following:

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long- Term Portion
Real estate taxes	\$ 678,414	\$ (199,677)	\$ 478,737	\$ -
Personal property taxes	309,343	(116,764)	192,579	-
Community preservation act	8,297	-	8,297	-
Tax liens	252,787	-	25,279	227,508
Total property taxes	<u>\$ 1,248,841</u>	<u>\$ (316,441)</u>	<u>\$ 704,892</u>	<u>\$ 227,508</u>
Motor vehicle excise	<u>\$ 1,481,210</u>	<u>\$ (238,258)</u>	<u>\$ 1,242,952</u>	
Total excise taxes	<u>\$ 1,481,210</u>	<u>\$ (238,258)</u>	<u>\$ 1,242,952</u>	
Other departmental	<u>\$ 22,159</u>	<u>\$ (2,216)</u>	<u>\$ 19,943</u>	
Total departmental	<u>\$ 22,159</u>	<u>\$ (2,216)</u>	<u>\$ 19,943</u>	

**7. User Fees Receivable**

Receivables for user charges at June 30, 2021 consisted of the following:

	<u>Gross</u> <u>Amount</u>	<u>Allowance</u> <u>for Doubtful</u> <u>Accounts</u>	<u>Net</u> <u>Amount</u>
Sewer	\$ 308,700	\$ (109,163)	\$ 199,537
Water	473,319	(159,190)	314,129
Cable	488,556	(150,833)	337,723
Ambulance	<u>611,940</u>	<u>(128,854)</u>	<u>483,086</u>
Total Governmental	1,882,515	(548,040)	1,334,475
Electric	<u>7,191,309</u>	<u>(864,266)</u>	<u>6,327,043</u>
Total Business-type	<u>7,191,309</u>	<u>(864,266)</u>	<u>6,327,043</u>
Total	<u>\$ 9,073,824</u>	<u>\$ (1,412,306)</u>	<u>\$ 7,661,518</u>

**8. Intergovernmental Receivables**

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal year 2021.

**9. Deposits Held by Others**

Deposits held by others represents monies held by Energy New England as a requirement for membership.

**10. Interfund Transfers**

The Town reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The following is an analysis of interfund transfers:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 14,541,797	\$ 5,374,818
Nonmajor Governmental Funds:		
Special Revenue Funds	1,862,328	2,630,866
Capital Project Funds	<u>2,222,000</u>	<u>625,000</u>
Subtotal Nonmajor Governmental Funds	4,084,328	3,255,866
<u>Business-Type Funds:</u>		
Electric Light Fund	<u>-</u>	<u>9,995,441</u>
Subtotal Business-Type Funds	<u>-</u>	<u>9,995,441</u>
Total	<u>\$ 18,626,125</u>	<u>\$ 18,626,125</u>

Of the transfer into the General Fund, \$9,995,441 was transferred from the Electric Light Enterprise Fund which represents budgetary revenue and expense surpluses which are closed to the General Fund annually. Additionally, \$670,000 was transferred from the AMR Receipts Fund, \$625,000 was transferred from the Forbes Deposit Account, \$150,000 was transferred from the School Department Health Insurance Fund, and \$125,000 was transferred from the Cemetery Receipts Fund. The Town's other routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the General Fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.

## 11. Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Governmental Activities</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 173,911	\$ 79	\$ -	\$ 173,990
Machinery, equipment, and furnishings	29,662	1,923	(115)	31,470
Infrastructure	<u>101,093</u>	<u>-</u>	<u>-</u>	<u>101,093</u>
Total capital assets, being depreciated	304,666	2,002	(115)	306,553
Less accumulated depreciation for:				
Buildings and improvements	(65,117)	(3,862)	-	(68,979)
Machinery, equipment, and furnishings	(22,869)	(1,617)	79	(24,407)
Infrastructure	<u>(64,001)</u>	<u>(1,842)</u>	<u>-</u>	<u>(65,843)</u>
Total accumulated depreciation	<u>(151,987)</u>	<u>(7,321)</u>	<u>79</u>	<u>(159,229)</u>
Total capital assets, being depreciated, net	152,679	(5,319)	(36)	147,324
Capital assets, not being depreciated:				
Land	15,023	-	-	15,023
Construction in progress	<u>3,481</u>	<u>4,067</u>	<u>-</u>	<u>7,548</u>
Total capital assets, not being depreciated	<u>18,504</u>	<u>4,067</u>	<u>-</u>	<u>22,571</u>
Governmental activities capital assets, net	<u>\$ 171,183</u>	<u>\$ (1,252)</u>	<u>\$ (36)</u>	<u>\$ 169,895</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 21,135	\$ -	\$ -	\$ 21,135
Machinery, equipment, and furnishings	6,695	302	(141)	6,856
Infrastructure	<u>58,724</u>	<u>-</u>	<u>-</u>	<u>58,724</u>
Total capital assets, being depreciated	86,554	302	(141)	86,715
Less accumulated depreciation for:				
Buildings and improvements	(4,997)	(704)	-	(5,701)
Machinery, equipment, and furnishings	(4,816)	(371)	139	(5,048)
Infrastructure	<u>(36,739)</u>	<u>(1,130)</u>	<u>-</u>	<u>(37,869)</u>
Total accumulated depreciation	<u>(46,552)</u>	<u>(2,205)</u>	<u>139</u>	<u>(48,618)</u>
Total capital assets, being depreciated, net	40,002	(1,903)	(2)	38,097
Capital assets, not being depreciated:				
Land	14	-	-	14
Construction in progress	<u>13,504</u>	<u>-</u>	<u>-</u>	<u>13,504</u>
Total capital assets, not being depreciated	<u>13,518</u>	<u>-</u>	<u>-</u>	<u>13,518</u>
Business-type activities capital assets, net	<u>\$ 53,520</u>	<u>\$ (1,903)</u>	<u>\$ (2)</u>	<u>\$ 51,615</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

<b>Governmental Activities</b>	
General government	\$ 514
Public safety	803
Education	2,828
Public works	2,600
Health and human services	74
Culture and recreation	<u>502</u>
Total governmental activities	<u>\$ 7,321</u>
<b>Business-Type Activities</b>	
Electric Light Fund	<u>\$ 2,205</u>

## 12. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions and OPEB, in accordance with GASB Statement Nos. 68 and 75, are more fully discussed in the corresponding pension note.

## 13. Customer Deposits

This balance represents deposits received from customers that are held in escrow.

## 14. Notes Payable

The Town had the following notes outstanding at June 30, 2021:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/21</u>
Land acquisition	1.00%	12/17/20	12/17/21	\$ 12,350,000
General Obligation BAN	1.00%	06/25/21	06/24/22	<u>16,181,869</u>
Total				<u>\$ 28,531,869</u>

The following summarizes activity in notes payable during fiscal year 2021:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Land acquisition	\$ 13,000,000	\$ -	\$ (13,000,000)	\$ -
Various	7,221,000	-	(7,221,000)	-
Land acquisition	-	12,350,000	-	12,350,000
General Obligation BAN	-	16,181,869	-	16,181,869
Total	<u>\$ 20,221,000</u>	<u>\$ 28,531,869</u>	<u>\$ (20,221,000)</u>	<u>\$ 28,531,869</u>

## 15. Long-Term Debt

### ***General Obligation Bonds and Loans***

The Town issues general obligation bonds and direct borrowings 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 and direct borrowings outstanding are as follows:

<u>Governmental Activities</u>				Amount Outstanding as of <u>6/30/21</u>
<u>General Obligation Bonds</u>	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	
Public offerings:				
School Building Repairs	\$ 446,000	10/15/2022	2.540%	\$ 95,000
Police/Fire Building Repairs	175,000	10/15/2022	2.649%	50,000
Outdoor Recreational Facilities	288,000	10/15/2022	2.504%	55,000
General Obligation Refunding 2001	9,435,000	10/1/2021	2.802%	890,000
General Obligation 2012	2,612,000	1/15/2022	1.240%	140,000
General Obligation Refunding 2012	2,640,000	1/15/2022	1.570%	250,000
General Obligation Municipal 2014	7,252,000	1/15/2034	2.988%	4,350,000
General Obligation Refunding 2015	978,000	8/15/2024	1.566%	801,000
General Obligation Bond	4,685,000	6/15/2036	3.388%	4,685,000
General Obligation Bond	43,120,000	6/30/2037	1.967%	23,837,000
General Obligation Bond	4,140,000	1/15/2039	5.000%	3,225,000
Dean Street Bridge Repair	11,550,000	6/15/2040	5.000%	375,000
General Obligation DPW Facility	6,300,000	6/15/2044	3.388%	<u>4,830,000</u>
Total public offerings				43,583,000
<u>Loans - Direct Borrowings</u>				
MWRA Water Bond	501,678	8/15/2021	0.000%	50,167
MWRA Water Bond	500,000	8/15/2022	0.000%	100,000
MCWT Bond CWP-15-08A	414,356	7/15/2023	0.000%	366,518
MWRA 6/26/14	500,000	8/15/2023	0.000%	150,000
MWRA Water Bond 8/25/14	500,000	8/15/2024	0.000%	200,000
MWRA Water Bond	500,000	8/15/2025	0.000%	250,000
MWRA Sewer Bond	531,000	8/7/2027	0.000%	413,000
MWRA Water Bond	500,000	8/7/2027	0.000%	350,000
MWRA Water Bond	500,000	6/30/2028	0.000%	300,000
MWRA Sewer Bond	157,245	6/30/2028	0.000%	31,449
MWRA Sewer Bond	1,654,200	8/15/2028	0.000%	1,323,360
MWPAT	1,600,000	1/15/2033	2.000%	1,041,083
MWPAT CW11-12	2,175,000	1/15/2033	2.000%	1,415,222
MCWT Bond CW-11-12A	110,127	1/15/2036	2.000%	86,862
MCWT Bond CWP-13-19	2,638,952	1/15/2036	2.000%	2,081,501
MCWT CW15-08	2,212,267	6/30/2037	2.000%	1,842,475
MWRA Water Bond	629,600	8/15/2029	0.000%	566,640
MWRA Water Bond	629,600	8/15/1930	0.000%	<u>629,600</u>
Total loans - direct borrowings				<u>11,197,877</u>
Total governmental activities				<u>\$ 54,780,877</u>

<u>Business-Type Activities</u>		Serial	Interest	Amount
	Original	Maturities	Rate(s) %	Outstanding
	Issue	Through		as of
				<u>6/30/21</u>
<u>General Obligation Bonds</u>				
Public offerings:				
General Obligation Refunding 4/23/2015	\$ 21,452,000	8/15/2024	1.566%	9,124,000
Electric Light Dept. Expansion	4,500,000	10/15/2024	2.612%	1,200,000
General Obligation Bond	43,120,000	6/30/2037	2.000%	9,753,000
Light Department Headquarters	11,550,000	6/15/2040	5.000%	10,590,000
General Obligation - Refunding	7,675,000	8/15/2029	5.000%	<u>7,675,000</u>
Total public offerings				<u>38,342,000</u>
Total business-type activities				<u>\$ 38,342,000</u>

### **Future Debt Service**

The annual payments to retire all general obligation bonds and direct borrowings outstanding as of June 30, 2021 are as follows:

<u>Governmental</u>	<u>Bonds - Public Offerings</u>		<u>Loans - Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
<u>Year</u>				
2022	\$ 5,248,000	\$ 1,455,716	\$ 1,159,369	\$ 135,658
2023	3,595,000	1,283,869	1,087,043	127,087
2024	3,335,000	1,144,090	1,046,534	118,330
2025	3,165,000	1,017,418	1,006,231	109,384
2026	2,935,000	894,537	966,140	100,240
2027 - 2031	13,720,000	2,898,885	3,816,222	356,984
2032 - 2036	8,765,000	1,144,092	1,981,695	115,294
2037 - 2041	2,190,000	300,359	134,643	2,691
2042 - 2046	<u>630,000</u>	<u>50,400</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 43,583,000</u>	<u>\$ 10,189,366</u>	<u>\$ 11,197,877</u>	<u>\$ 1,065,668</u>

<u>Business-Type</u>	<u>Bonds - Public Offerings</u>	
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 7,802,000	\$ 1,231,717
2023	7,995,000	914,492
2024	3,320,000	685,407
2025	3,310,000	549,643
2026	1,745,000	444,069
2027 - 2031	7,600,000	1,341,556
2032 - 2036	4,350,000	554,004
2037 - 2041	<u>2,220,000</u>	<u>122,939</u>
Total	<u>\$ 38,342,000</u>	<u>\$ 5,843,827</u>



### **Changes in Long-Term Liabilities**

During the year ended June 30, 2021, the following changes occurred in long-term liabilities (in thousands):

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Less Current <u>Portion</u>	Equals Long-Term <u>Portion</u>
<b>Governmental Activities</b>						
Bonds payable:						
Public offerings	\$ 44,128	\$ 4,685	\$ (5,230)	\$ 43,583	\$ (5,248)	\$ 38,335
Loans payable (direct borrowings)	11,706	629	(1,137)	11,198	(1,096)	10,102
Unamortized premium	<u>290</u>	<u>-</u>	<u>(72)</u>	<u>218</u>	<u>(73)</u>	<u>145</u>
Subtotal	56,124	5,314	(6,439)	54,999	(6,417)	48,582
Landfill liability	180	-	(20)	160	(20)	140
Compensated absences	2,965	90	-	3,055	(153)	2,902
Net pension liability	34,700	-	(12,640)	22,060	-	22,060
Net OPEB liability	<u>89,244</u>	<u>2,584</u>	<u>-</u>	<u>91,828</u>	<u>-</u>	<u>91,828</u>
Total	<u>\$ 183,213</u>	<u>\$ 7,988</u>	<u>\$ (19,099)</u>	<u>\$ 172,102</u>	<u>\$ (6,590)</u>	<u>\$ 165,512</u>
<b>Business-Type Activities</b>						
Bonds payable:						
Public offerings	\$ 46,952	\$ 7,675	\$ (16,285)	\$ 38,342	\$ (7,802)	\$ 30,540
Unamortized premium	<u>2,870</u>	<u>478</u>	<u>(993)</u>	<u>2,355</u>	<u>(199)</u>	<u>2,156</u>
Subtotal	49,822	8,153	(17,278)	40,697	(8,001)	32,696
Compensated absences	385	12	-	397	(20)	377
Net pension liability	1,635	-	(596)	1,039	-	1,039
Net OPEB liability	<u>4,205</u>	<u>122</u>	<u>-</u>	<u>4,327</u>	<u>-</u>	<u>4,327</u>
Total	<u>\$ 56,047</u>	<u>\$ 8,287</u>	<u>\$ (17,874)</u>	<u>\$ 46,460</u>	<u>\$ (8,021)</u>	<u>\$ 38,439</u>

### **Long-Term Debt Supporting Governmental and Business-Type Activities**

Bonds and loans issued by the Town for various municipal projects are approved by town meeting and repaid with revenues recorded in the General Fund and user fees recorded in the Electric Light Enterprise Fund. All other long-term debt is repaid from the funds that the cost relates to, primarily the General Fund and Electric Light Fund.

## **16. Landfill Closure and Postclosure Care Costs**

State and Federal laws and regulations require the Town to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure.

The \$160,000 reported as landfill postclosure care liability at June 30, 2021 represents the remaining estimated postclosure maintenance costs. These amounts are based on what it would cost to perform all postclosure care in 2021. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

**17. Deferred Inflows of Resources**

Deferred inflows of resources represent the acquisition of net position by the Town that is applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and are more fully described in the corresponding pension and OPEB notes. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

**18. Governmental Funds - Balances**

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2021:

***Nonspendable***

Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes General Fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

***Restricted***

Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes General Fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

***Committed***

Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes special purpose stabilization funds and the Town's community preservation fund.

***Assigned***

Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes General Fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period and surplus (free cash) to be used in the subsequent year.

***Unassigned***

Represents amounts that are available to be spent in future periods, general stabilization funds, and deficit funds.

The following is a breakdown of the Town's fund balances at June 30, 2021:

	General Fund	Sale of Real Estate Fund	Water Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>					
Permanent funds	\$ -	\$ -	\$ -	\$ 674,748	\$ 674,748
Total Nonexpendable	-	-	-	674,748	674,748
<b>Restricted</b>					
Capital project funds	-	-	-	2,653,509	2,653,509
Grants and other statutory restrictions	-	-	-	4,520,724	4,520,724
Education	-	-	-	4,109,458	4,109,458
Conservation	-	-	-	2,169,447	2,169,447
Donations	-	-	-	1,590,519	1,590,519
Community preservation fund	-	-	-	943,873	943,873
Sale of real estate	-	675,750	-	-	675,750
Permanent funds	-	-	-	728,780	728,780
Total Restricted	-	675,750	-	16,716,310	17,392,060
<b>Committed</b>					
DPW Stabilization fund*	2,319,713	-	-	-	2,319,713
Total Committed	2,319,713	-	-	-	2,319,713
<b>Assigned</b>					
Encumbrances:					
General government	432,820	-	-	-	432,820
Public safety	160,977	-	-	-	160,977
Public works	172,507	-	-	-	172,507
Health and human services	29,454	-	-	-	29,454
Culture and recreation	130,957	-	-	-	130,957
Employee benefits	90,579	-	-	-	90,579
Next year's expenditures	3,151,863	-	-	-	3,151,863
Reserved for storm relief	68,686	-	-	-	68,686
Total Assigned	4,237,843	-	-	-	4,237,843
<b>Unassigned</b>					
General Fund	14,981,240	-	-	-	14,981,240
General stabilization	7,665,807	-	-	-	7,665,807
Deficit capital project funds	-	-	(230,152)	(11,249,255)	(11,479,407)
Total Unassigned	22,647,047	-	(230,152)	(11,249,255)	11,167,640
Total Fund Balances	\$ 29,204,603	\$ 675,750	\$ (230,152)	\$ 6,141,803	\$ 35,792,004

\* Massachusetts General Law Ch. 40 §5B allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund, along with any additions to or appropriations from the fund, requires a two-thirds vote of the legislative body.

## 19. Norwood Contributory Retirement System

The Town follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees' retirement funds.

### **Plan Description**

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) and Norwood Housing Authority are members of the

Norwood Contributory Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System Retirement Board does not have the authority to amend benefit provisions. Additional information is disclosed in the System's annual financial reports publicly available from the System located at 566 Washington Street, Third Floor, Norwood, Massachusetts.

***Participant Contributions***

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

For those members entering a Massachusetts system on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

***Participant Retirement Benefits***

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of a Massachusetts system on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are four classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

### ***Methods of Payment***

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary predeceases the

retiree, the benefit payable increases (or “pops up” to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

### ***Participant Refunds***

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

### ***Employer Contributions***

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The Town’s contribution to the System for the year ended June 30, 2021 was \$5,266,183, which was equal to its annual required contribution.

### ***Summary of Significant Accounting Policies***

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 System and additions to/deductions from System’s fiduciary net position have been determined on the same basis as they are reported by System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

### ***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2021, the Town reported a liability of \$23,099,987 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 employers, actuarially determined. At June 30, 2021, the Town’s proportion was 96.25%.

For the year ended June 30, 2021, the Town recognized pension expense of \$1,374,934. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ 7,383,303	\$ -
Changes of assumptions	1,894,985	-
Net difference between projected and actual earnings on pension plan investments	-	(14,308,543)
Changes in proportion and differences between contributions and proportionate share of contributions	<u>39,219</u>	<u>(20,057)</u>
Total	<u>\$ 9,317,507</u>	<u>\$ (14,328,600)</u>

Amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pension will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2022	\$ (1,352,204)
2023	550,231
2024	(3,353,105)
2025	(875,177)
2026	<u>19,162</u>
Total	<u>\$ (5,011,093)</u>

***Actuarial Assumptions***

The total pension liability in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	1/1/2020
Actuarial cost method	Entry Age Normal Cost
Actuarial assumptions:	
Investment rate of return	7.60%
Projected salary increases	3.00%
Inflation rate	Not explicitly assumed
Post-retirement cost-of-living adjustment	3.00% of first \$14,000



Mortality rates were based on the following:

Pre-retirement and beneficiary mortality: It is assumed that both pre-retirement and beneficiary mortality is represented by the RP-2014 Blue Collar Mortality with Scale MP-2014, fully generational.

Mortality for retired members: Mortality for retired members of Group 1 and 2 is represented by the RP-2014 Blue Collar Mortality Table set forward five years for males and three years for females, fully generational. Mortality for retired members for Group 4 is represented by the RP-2014 Blue Collar Mortality Table set forward three years for males, and six years for females, fully generational.

Mortality for disabled members: Mortality for disabled members for Group 1 and 2 is represented by the RP-2000 Mortality Table set forward six years. Mortality for disabled members for Group 4 is represented by the RP-2000 Mortality table set forward two years. Generational adjusted is based on Scale MP-2014.

***Target Allocations***

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US equity	30.00%	8.20%
Developed market equity (non-US)	9.00%	9.00%
Emerging market equity	12.00%	10.80%
Investment grade bonds	7.00%	2.50%
TIPS	3.00%	2.60%
Emerging market bond (major)	2.50%	4.80%
Emerging market bond (local)	2.50%	5.40%
High yield bonds	4.00%	4.90%
Private equity	12.00%	11.00%
Real estate	10.00%	8.60%
Natural resources (public)	3.00%	9.90%
Core private infrastructure	5.00%	8.20%
Total	<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Proportionate Share 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 7.60%, 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 one percentage-point lower or one percentage-point higher than the current rate:

	Current	
1%	Discount	1%
Decrease	Rate	Increase
<u>(6.60%)</u>	<u>(7.60%)</u>	<u>(8.60%)</u>
\$44,995,858	\$23,099,987	\$ 4,396,481

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan’s fiduciary net position is available in the separately issued System financial report.

**20. Massachusetts Teachers’ Retirement System (MTRS)**

**Plan Description**

The Massachusetts Teachers’ Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth of Massachusetts on behalf of municipal teachers and municipal teacher retirees. The Commonwealth of Massachusetts is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth of Massachusetts’s reporting entity and does not issue a stand-alone audited financial report.

Management of MTRS is vested in the Massachusetts Teachers’ Retirement Board (MTRB), which consists of seven members—two elected by the MTRS members, one who is chosen by

the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

***Benefits Provided***

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establish uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member’s highest 3-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last 5 years or any 5 consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member’s age, length of creditable service, and group creditable service and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MTRS’ funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

***Contributions***

Member contributions for MTRS vary depending on the most recent date of membership:

<u>Membership Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 to 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

### **Actuarial Assumptions**

The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of January 1, 2020 rolled forward to June 30, 2020. This valuation used the following assumptions:

- (a) 7.15% (changed from 7.25%) investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.
- Mortality rates were as follows:
  - Pre-retirement – reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).
  - Post-retirement – reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).
  - Disability – assumed to be in accordance with the Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).

### **Target Allocations**

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. 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 rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39.00%	4.80%
Core fixed income	15.00%	0.70%
Private equity	13.00%	8.20%
Portfolio completion strategies	11.00%	3.20%
Real estate	10.00%	3.50%
Value added fixed income	8.00%	4.20%
Timber/natural resources	4.00%	4.10%
Total	<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15%. 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 the Commonwealth of Massachusetts’s contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity Analysis**

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (amounts in thousands):

1%	Current	1%
Decrease	Discount	Increase
<u>to 6.15%</u>	<u>Rate 7.15%</u>	<u>to 8.15%</u>
\$ 35,411,955	\$ 28,544,844	\$ 22,908,510

**Special Funding Situation**

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions (GASB 68)* and the Commonwealth of Massachusetts is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

**Town Proportions**

In fiscal year 2020 (the most recent measurement period), the Town’s proportionate share of the MTRS’ collective net pension liability was \$117,089,093 based on a proportionate share of 0.41019%. As required by GASB 68, the Town has recognized its portion of the Commonwealth of Massachusetts’s contribution of \$6,372,081 as both a revenue and expenditure in the General Fund, and its portion of the collective pension expense of \$14,462,180 as both a revenue and expense in governmental activities.

**21. Other Post-Employment Benefits (GASB 74 and GASB 75)**

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust

fund has been established to fund future OPEB costs. In fiscal year 2014, the Town established a single employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

All the following OPEB disclosures are based on a measurement date of June 30, 2021.

***General Information about the OPEB Plan***

*Plan Description*

The Town provides post-employment healthcare benefits for retired employees through the Town's plan. The Town provides health insurance coverage through Group Insurance Commission (GIC). The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of Massachusetts General Laws.

*Benefits Provided*

The Town provides medical and prescription drug insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

*Funding Policy*

The Town's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute. Additional contributions are based on actuarially determined amounts.

*Plan Membership*

At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	935
Active employees	<u>944</u>
Total	<u><u>1,879</u></u>

**Investments**

The OPEB trust fund assets consist of corporate equities and equity mutual funds.

**Rate of Return**

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was not available. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Actuarial Assumptions and Other Inputs**

The net OPEB liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	4.50%
Salary increases	4.50%, average, including inflation
Investment rate of return	7.50%, net of OPEB plan investment expense
Municipal bond rate	3.79%
Discount rate	7.50%
Healthcare cost trend rates	4.50% for 2022
Participation rate	80% of future retirees
Funding assumption	In year 2032, the Town will utilize funds (approximately \$5 million) that were previously utilized for funding the net pension liability to fund the net OPEB liability

It is assumed that mortality is represented by the various SOA Pub-2010 Public Retirement Plans Mortality Tables specific to the Group, Pre-retirement versus Post, Disabled and Beneficiaries, with Scale MP-2019 improvements until 2025.

**Target Allocations**

The long-term expected rate of return on OPEB 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 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each

major asset class included in the target asset allocation as of June 30, 2021 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	34%	5.34%
International Equity	23%	6.10%
Domestic Bond	20%	1.62%
Alternative	20%	4.20%
International Bond	<u>3%</u>	1.26%
Total	<u>100%</u>	

***Contributions***

In addition to the implicit subsidy contribution, the Town’s policy is to contribute the amounts provided annually by the budget.

***Discount Rate***

The discount rate used to measure the net OPEB liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

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.

***Net OPEB Liability***

The components of the net OPEB liability, measured as of June 30, 2021, were as follows:

Total OPEB liability	\$ 101,082,448
Plan fiduciary net position	<u>4,927,064</u>
Net OPEB liability	\$ <u>96,155,384</u>
Plan fiduciary net position as a percentage of the total OPEB liability	4.87%

The fiduciary net position has been determined on the same basis used by the OPEB Plan. For this purpose, the Plan recognizes benefit payments when due and payable.



**Changes in the Net OPEB Liability**

The following summarizes the changes in the net OPEB liability for the past year:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 96,570,374	\$ 3,121,099	\$ 93,449,275
Changes for the year:			
Service cost	2,419,159	-	2,419,159
Interest	6,743,060	-	6,743,060
Contributions - employer	-	6,311,730	(6,311,730)
Net investment income	-	905,965	(905,965)
Differences between expected and actual experience	6,561,420	-	6,561,420
Changes in assumptions	(5,799,835)	-	(5,799,835)
Benefit payments	<u>(5,411,730)</u>	<u>(5,411,730)</u>	<u>-</u>
Net Changes	<u>4,512,074</u>	<u>1,805,965</u>	<u>2,706,109</u>
Balances, end of year	<u>\$ 101,082,448</u>	<u>\$ 4,927,064</u>	<u>\$ 96,155,384</u>

Changes in assumptions were updated to reflect the change in the Town's intended contributions.

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
\$ 108,326,088	\$ 96,155,384	\$ 86,023,953

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it as calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
\$ 84,258,088	\$ 96,155,384	\$ 110,712,994

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

For the year ended June 30, 2021, the Town recognized an OPEB expense of \$4,130,557. At June 30, 2021, the Town reported deferred (inflows) of resources related to OPEB from the following sources:

	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ (13,629,120)
Changes in assumptions	(21,352,182)
Net difference between projected and actual earnings on OPEB investment earnings	<u>(503,193)</u>
Total	<u>\$ (35,484,495)</u>

Amounts reported as deferred (inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30:</u>	
2022	\$ (13,012,233)
2023	(13,008,208)
2024	(9,476,421)
2025	<u>12,367</u>
Total	<u>\$ (35,484,495)</u>

## 22. Consolidation of Pension and OPEB Trust Funds

The Norwood Contributory Retirement System and the OPEB Trust Fund are presented in a single column in the accompanying fiduciary fund financial statements. Details of the financial position and changes in net position are as follows:

	Pension Trust Fund <u>(December 31, 2020)</u>	Other Post-Employment Benefits Trust <u>Fund</u>	Pension and OPEB Trust Funds
<b>Assets</b>			
Cash and short-term investments	\$ 4,111,036	\$ -	\$ 4,111,036
Investments:			
Corporate equities	38,189,201	455,140	38,644,341
Equity mutual funds	126,897,406	3,322,938	130,220,344
External investment pool	22,188,704	-	22,188,704
Fixed income mutual funds	<u>6,800,681</u>	<u>1,148,986</u>	<u>7,949,667</u>
Total Investments	194,075,992	4,927,064	199,003,056
Accounts receivable	<u>224,000</u>	<u>-</u>	<u>224,000</u>
Total Assets	198,411,028	4,927,064	203,338,092
<b>Liabilities</b>			
Warrants and accounts payable	158,018	-	158,018
Total Liabilities	158,018	-	158,018
<b>Net Position</b>			
Restricted for pension	198,253,010	-	198,253,010
Restricted for OPEB	<u>-</u>	<u>4,927,064</u>	<u>4,927,064</u>
Total Net Position	<u>\$ 198,253,010</u>	<u>\$ 4,927,064</u>	<u>\$ 203,180,074</u>

	Pension Trust Fund (year ended <u>December 31, 2020</u> )	Other Post-Employment Benefits Trust <u>Fund</u>	Pension and OPEB Trust Funds
<b>Additions</b>			
Contributions:			
Employer	\$ 5,471,210	\$ 6,311,730	\$ 11,782,940
Plan members	3,776,814	-	3,776,814
Other systems and Commonwealth of Massachusetts	396,394	-	396,394
Other	<u>21,735</u>	<u>-</u>	<u>21,735</u>
Total contributions	9,666,153	6,311,730	15,977,883
Investment Income:			
Increase in fair value of investments	25,353,302	905,965	26,259,267
Less: management fees	<u>(1,025,234)</u>	<u>-</u>	<u>(1,025,234)</u>
Net investment income (loss)	<u>24,328,068</u>	<u>905,965</u>	<u>25,234,033</u>
Total additions	33,994,221	7,217,695	41,211,916
<b>Deductions</b>			
Benefit payments to plan members and beneficiaries	14,520,190	5,411,730	19,931,920
Refunds to plan members	67,876	-	67,876
Transfers to other systems	12,166	-	12,166
Administrative expenses	<u>360,116</u>	<u>-</u>	<u>360,116</u>
Total deductions	<u>14,960,348</u>	<u>5,411,730</u>	<u>20,372,078</u>
Net increase	19,033,873	1,805,965	20,839,838
<b>Net Position Restricted for Pension and OPEB</b>			
Beginning of year	<u>179,219,137</u>	<u>3,121,099</u>	<u>182,340,236</u>
End of year	<u>\$ 198,253,010</u>	<u>\$ 4,927,064</u>	<u>\$ 203,180,074</u>

## 23. Change in Accounting Principle

During fiscal year 2021, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*.

## 24. Commitments and Contingencies

### **COVID-19**

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on individuals served by the Town, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations remains uncertain.

**Grants**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

**Encumbrances**

At year-end the Town’s General Fund had \$1,017,294 in encumbrances that will be honored in the next fiscal year.

**25. Beginning Net Position and Fund Balance Restatement**

The beginning (July 1, 2020) net position and fund balance of the Town has been restated as follows:

Government-Wide Financial Statements:

	Governmental <u>Activities</u>
As previously reported	\$ (29,431,298)
Implementation of GASB 84	<u>124,147</u>
As restated	<u>\$ (29,307,151)</u>

Fund Basis Financial Statements:

	Major Capital <u>Project Fund</u>	Nonmajor Governmental <u>Funds</u>
As previously reported	\$ (12,080,391)	\$ 13,882,186
Implementation of GASB 84		124,147
Change in major fund	<u>12,080,391</u>	<u>(12,080,391)</u>
As restated	<u>\$ -</u>	<u>\$ 1,925,942</u>

**26. Subsequent Events**

Management has evaluated subsequent events through July 28, 2022 which is the date the financial statements were available to be issued.

## **27. New Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the Town beginning with its fiscal year ending June 30, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements. Management has not evaluated the effect this standard will have on the financial statements.

**TOWN OF NORWOOD, MASSACHUSETTS**

Required Supplementary Information  
General Fund

Schedule of Revenues, Expenditures and Other Financing Sources (Uses) – Budget and Actual  
For the Year Ended June 30, 2021

	Budgeted Amounts			Variance with
	Original Budget	Final Budget	Actual Amounts	Final Budget Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 87,407,628	\$ 87,407,628	\$ 88,220,193	\$ 812,565
Excise taxes	4,668,131	4,668,131	4,122,854	(545,277)
Charges for services	28,271,284	28,271,284	28,799,227	527,943
Penalties, interest and other taxes	1,549,774	1,549,774	1,176,734	(373,040)
Licenses and permits	1,698,338	1,698,338	2,380,745	682,407
Fines and forfeitures	165,256	165,256	35,733	(129,523)
Intergovernmental	14,605,059	14,605,059	14,462,478	(142,581)
Investment income	450,153	450,153	295,914	(154,239)
Miscellaneous	<u>190,578</u>	<u>190,578</u>	<u>226,883</u>	<u>36,305</u>
Total Revenues	139,006,201	139,006,201	139,720,761	714,560
<b>Expenditures</b>				
General government	6,587,208	6,587,208	6,259,267	327,941
Public safety	17,628,263	17,628,263	17,337,833	290,430
Education	54,153,730	54,153,730	52,781,903	1,371,827
Public works	7,481,327	7,481,327	7,428,659	52,668
Broadband cable	6,527,839	6,527,839	6,253,418	274,421
Water and sewer	14,369,519	14,369,519	13,668,742	700,777
Health and human services	1,595,465	1,595,465	1,400,464	195,001
Culture and recreation	3,614,716	3,614,716	3,493,071	121,645
Employee benefits	23,276,322	23,276,322	23,166,803	109,519
Debt service	8,690,434	8,690,434	8,440,499	249,935
Intergovernmental	<u>2,376,072</u>	<u>2,376,072</u>	<u>2,342,746</u>	<u>33,326</u>
Total Expenditures	<u>146,300,895</u>	<u>146,300,895</u>	<u>142,573,405</u>	<u>3,727,490</u>
Excess (Deficiency) of Revenues over Expenditures	(7,294,694)	(7,294,694)	(2,852,644)	4,442,050
<b>Other Financing Sources (Uses)</b>				
Transfers in	9,065,141	9,065,141	12,145,619	3,080,478
Transfers out	(5,374,818)	(5,374,818)	(5,374,818)	-
Use of free cash:				
Operating budget	4,317,243	4,317,243	4,317,243	-
Other sources	-	-	243,225	243,225
Other use(s)	<u>(712,872)</u>	<u>(712,872)</u>	<u>(712,872)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>7,294,694</u>	<u>7,294,694</u>	<u>10,618,397</u>	<u>3,323,703</u>
Overall Budgetary Excess (Deficiency)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>7,765,753</u>	\$ <u>7,765,753</u>

See Independent Auditor's Report and Notes to Required Supplementary Information.

**Notes to Required Supplementary Information  
for General Fund Budget**

***Budgetary Basis***

The General Fund final appropriation appearing on the previous page represents the final amended budget after all reserve fund transfers and supplemental appropriations.

***Budget/GAAP Reconciliation***

The budgetary data for the General Fund is based upon accounting principles that differ from Generally Accepted Accounting Principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the General Fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues, expenditures, and other financing sources (uses), to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
GAAP Basis	\$ 146,916,826	\$ 149,193,890	\$ 9,410,204
Add end-of-year appropriation carryforwards from expenditures	-	1,017,294	-
To record use of free cash	-	-	4,317,243
To remove unbudgeted storm relief funds	-	(475,527)	(475,527)
To reverse the effect of non- budgeted State contributions	(6,372,801)	(6,372,801)	-
To remove unbudgeted stabilization fund	(823,264)	-	(1,828,571)
To record use of overlay surplus	-	-	(329,635)
Other timing differences	-	(789,451)	(475,317)
Budgetary Basis	<u>\$ 139,720,761</u>	<u>\$ 142,573,405</u>	<u>\$ 10,618,397</u>

See Independent Auditor's Report and Notes to Required Supplementary Information.



**TOWN OF NORWOOD, MASSACHUSETTS**  
 Required Supplementary Information  
 Schedule of Proportionate Share of the Net Pension Liability

(Unaudited)

Norwood Contributory Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2021	January 1, 2020	96.2500%	\$23,099,986	\$ 36,703,179	62.94%	82.59%
June 30, 2020	January 1, 2019	96.1900%	\$36,335,317	\$ 35,437,582	102.53%	82.59%
June 30, 2019	January 1, 2018	96.1800%	\$44,254,190	\$ 33,692,365	131.35%	77.00%
June 30, 2018	January 1, 2017	96.2100%	\$29,443,830	\$ 32,533,010	90.50%	84.40%
June 30, 2017	January 1, 2016	96.0200%	\$39,890,573	\$ 30,959,423	128.85%	77.50%
June 30, 2016	January 1, 2015	96.0170%	\$43,181,633	\$ 29,768,676	145.06%	75.00%
June 30, 2015	January 1, 2014	96.4612%	\$33,824,919	\$ 28,082,402	120.45%	79.80%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town</u>	<u>Total Net Pension Liability Associated with the Town</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2021	June 30, 2020	0.41019%	\$ -	\$ 117,089,093	\$117,089,093	\$ 31,079,368	-	50.67%
June 30, 2020	June 30, 2019	0.40145%	\$ -	\$ 101,220,976	\$101,220,976	\$ 29,213,892	-	53.95%
June 30, 2019	June 30, 2018	0.39514%	\$ -	\$ 93,693,283	\$ 93,693,283	\$ 27,750,293	-	54.84%
June 30, 2018	June 30, 2017	0.39883%	\$ -	\$ 91,274,008	\$ 91,274,008	\$ 27,082,491	-	54.25%
June 30, 2017	June 30, 2016	0.39793%	\$ -	\$ 88,969,401	\$ 88,969,401	\$ 26,174,594	-	52.73%
June 30, 2016	June 30, 2015	0.39829%	\$ -	\$ 81,608,139	\$ 81,608,139	\$ 25,247,157	-	55.38%
June 30, 2015	June 30, 2014	0.39829%	\$ -	\$ 63,449,721	\$ 63,449,721	\$ 24,473,613	-	61.64%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditor's Report.

**TOWN OF NORWOOD, MASSACHUSETTS**

Required Supplementary Information  
Schedule of Pension Contributions

(Unaudited)

Norwood Contributory Retirement System

Fiscal Year	Measurement Date	Contributions in Relation to the			Covered Payroll	Contributions as a Percentage of Covered Payroll
		Actuarially Determined Contribution	Actuarially Determined Contribution	Contribution Deficiency (Excess)		
June 30, 2021	January 1, 2020	\$ 5,266,183	\$ 5,266,183	\$ -	\$ 36,703,179	14.35%
June 30, 2020	January 1, 2019	\$ 4,948,984	\$ 4,948,984	\$ -	\$ 35,437,582	13.97%
June 30, 2019	January 1, 2018	\$ 4,839,431	\$ 4,839,431	\$ -	\$ 33,692,365	14.36%
June 30, 2018	January 1, 2017	\$ 4,847,339	\$ 4,847,339	\$ -	\$ 32,533,010	14.90%
June 30, 2017	January 1, 2016	\$ 4,370,134	\$ 4,370,134	\$ -	\$ 30,959,423	14.12%
June 30, 2016	January 1, 2015	\$ 4,055,016	\$ 4,055,016	\$ -	\$ 29,768,676	13.62%
June 30, 2015	January 1, 2014	\$ 3,764,002	\$ 3,764,002	\$ -	\$ 28,082,402	13.40%

Massachusetts Teachers' Retirement System

Fiscal Year	Measurement Date	Contributions in Relation to the			Covered Payroll	Contributions as a Percentage of Covered Payroll
		Actuarially Determined Contribution Provided by Commonwealth	Actuarially Determined Contribution	Contribution Deficiency (Excess)		
June 30, 2021	June 30, 2020	\$ 6,372,081	\$ 6,372,081	\$ -	\$ 31,079,368	20.50%
June 30, 2020	June 30, 2019	\$ 5,795,733	\$ 5,795,733	\$ -	\$ 29,213,892	19.84%
June 30, 2019	June 30, 2018	\$ 5,195,261	\$ 5,195,261	\$ -	\$ 27,750,293	18.72%
June 30, 2018	June 30, 2017	\$ 4,927,615	\$ 4,927,615	\$ -	\$ 27,082,491	18.19%
June 30, 2017	June 30, 2016	\$ 4,475,078	\$ 4,475,078	\$ -	\$ 26,174,594	17.10%
June 30, 2016	June 30, 2015	\$ 4,070,242	\$ 4,070,242	\$ -	\$ 25,247,157	16.12%
June 30, 2015	June 30, 2014	\$ 3,741,515	\$ 3,741,515	\$ -	\$ 24,473,613	15.29%

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See Independent Auditor's Report.

**TOWN OF NORWOOD, MASSACHUSETTS**  
Required Supplementary Information  
Other Post-Employment Benefits (OPEB)  
Schedule of Changes in Net OPEB Liability

(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>					
Service cost	\$ 2,419,159	\$ 2,264,958	\$ 2,473,391	\$ 6,107,954	\$ 5,844,932
Interest	6,743,060	6,459,745	6,103,965	5,953,172	5,680,679
Differences between expected and actual experience	6,561,420	-	(39,595,772)	-	-
Changes of assumptions	(5,799,835)	-	(35,102,083)	-	-
Benefit payments, including refunds of member contributions	<u>(5,411,730)</u>	<u>(4,270,663)</u>	<u>(4,086,759)</u>	<u>(4,718,245)</u>	<u>(4,329,657)</u>
Net change in total OPEB liability	4,512,074	4,454,040	(70,207,258)	7,342,881	7,195,954
Total OPEB liability - beginning	<u>96,570,374</u>	<u>92,116,334</u>	<u>162,323,592</u>	<u>154,980,711</u>	<u>147,784,757</u>
Total OPEB liability - ending (a)	101,082,448	96,570,374	92,116,334	162,323,592	154,980,711
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	6,311,730	4,520,663	4,636,759	5,018,245	4,679,657
Net investment income	905,965	90,772	148,246	89,182	115,189
Benefit payments, including refunds of member contributions	<u>(5,411,730)</u>	<u>(4,270,663)</u>	<u>(4,086,759)</u>	<u>(4,718,245)</u>	<u>(4,329,657)</u>
Net change in plan fiduciary net position	1,805,965	340,772	698,246	389,182	465,189
Plan fiduciary net position - beginning	<u>3,121,099</u>	<u>2,780,327</u>	<u>2,082,081</u>	<u>1,692,899</u>	<u>1,227,710</u>
Plan fiduciary net position - ending (b)	<u>4,927,064</u>	<u>3,121,099</u>	<u>2,780,327</u>	<u>2,082,081</u>	<u>1,692,899</u>
Net OPEB liability - ending (a-b)	<u>\$ 96,155,384</u>	<u>\$ 93,449,275</u>	<u>\$ 89,336,007</u>	<u>\$ 160,241,511</u>	<u>\$ 153,287,812</u>

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditor's Report.

**TOWN OF NORWOOD, MASSACHUSETTS**  
 Required Supplementary Information  
 Other Post-Employment Benefits (OPEB)  
 Schedules of Net OPEB Liability, Contributions, and Investment Returns

(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Schedule of Net OPEB Liability</b>					
Total OPEB liability	\$ 101,082,448	\$ 96,570,374	\$ 92,116,334	\$ 162,323,592	\$ 154,980,711
Plan fiduciary net position	<u>4,927,064</u>	<u>3,121,099</u>	<u>2,780,327</u>	<u>2,082,081</u>	<u>1,692,899</u>
Net OPEB liability (asset)	<u>\$ 96,155,384</u>	<u>\$ 93,449,275</u>	<u>\$ 89,336,007</u>	<u>\$ 160,241,511</u>	<u>\$ 153,287,812</u>
Plan fiduciary net position as a percentage of the total OPEB liability	4.9%	3.2%	3.0%	1.3%	1.1%
Covered employee payroll	\$ 51,850,614	\$ 63,316,518	\$ 61,175,380	\$ 53,936,321	\$ 52,287,812
Net OPEB liability as a percentage of covered employee payroll	185.4%	147.6%	146.0%	297.1%	293.2%
<b>Schedule of Contributions</b>					
Actuarially determined contribution	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable
Contributions in relation to the actuarially determined contribution	<u>\$ 6,311,730</u>	<u>\$ 4,270,663</u>	<u>\$ 4,636,759</u>	<u>\$ 5,018,245</u>	<u>\$ 4,679,657</u>
Contribution deficiency (excess)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<b>Schedule of Investment Returns</b>					
Annual money weighted rate of return, net of investment expense	Unavailable	Unavailable	Unavailable	Unavailable	Unavailable

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

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