

TOWN OF NORWOOD, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2015

Town of Norwood, Massachusetts

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	18
Proprietary Funds:	
Statement of Net Position	19
Statement of Revenues, Expenses, and Changes in Fund Net Position	20
Statement of Cash Flows	21
Fiduciary Funds:	
Statement of Fiduciary Net Position	22
Statement of Changes in Fiduciary Net Position	23
Notes to Financial Statements	24

REQUIRED SUPPLEMENTARY INFORMATION:

Schedule of Funding Progress	58
Schedule of Proportionate Share of the Net Pension Liability	59
Schedule of Contributions	60
Schedule of Changes in Net Pension Liability	61
Schedules of Net Pension Liability, Contributions, and Investment Returns	62

INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Norwood, Massachusetts

Additional Offices:

Nashua, NH
Manchester, NH
Greenfield, MA
Ellsworth, ME

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, as of and for the year ended June 30, 2015, (except for the Town of Norwood, Massachusetts' Contributory Retirement System which is as of and for the year ended December 31, 2014) and the related notes to the financial statements, which collectively comprise the Town of Norwood, Massachusetts' 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Norwood, Massachusetts, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 22 to the combined financial statements, in 2014, the Norwood Retirement System adopted Governmental Accounting Standards Board Statement No. 67, Financial Reporting for Pension Plans. 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 Schedule of Funding Progress, the Schedule of Proportionate Share of Net Pension Liability, the Schedule of Contributions, the Schedule of Changes in Net Pension Liability, and the Schedules of Net Pension Liability, Contributions, and Investment Returns 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 November 24, 2015 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Melanson Heath

November 24, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Norwood, we offer readers this narrative overview and analysis of the financial activities of the Town of Norwood for the fiscal year ended June 30, 2015.

A. 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 other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

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

The Statement of Activities presents information showing how the 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, public works, water and sewer, broad band 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. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide

financial statements. However, unlike the government-wide financial statements, governmental fund 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.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for electric operations.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric 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 the Town's own 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.

Other 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.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$37,054,539 (i.e., net position), a change of \$4,369,541 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$9,964,995, a change of \$(13,554,950) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,029,819, which includes a stabilization balance of \$3,109,702, which in total changed by \$(347,763) in comparison to the prior year unassigned fund balance.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$122,271,636, a change of \$(11,645,388) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>NET POSITION</u>					
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 34,456	\$ 35,418	\$ 25,386	\$ 28,192	\$ 59,842	\$ 63,610
Capital assets	162,246	152,693	37,773	35,753	200,019	188,446
Total assets	196,702	188,111	63,159	63,945	259,861	252,056
Long-term liabilities outstanding	119,780	89,701	64,302	69,747	184,082	159,448
Other liabilities	24,279	15,646	14,445	12,847	38,724	28,493
Total liabilities	144,059	105,347	78,747	82,594	222,806	187,941
Net position:						
Net investment in capital assets	100,184	100,447	20,857	20,602	121,041	121,049
Restricted	3,470	3,856	-	-	3,470	3,856
Unrestricted	(51,011)	(21,539)	(36,445)	(39,251)	(87,456)	(60,790)
Total net position	\$ 52,643	\$ 82,764	\$ (15,588)	\$ (18,649)	\$ 37,055	\$ 64,115

CHANGES IN NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 27,684	\$ 25,887	\$ 48,816	\$ 49,554	\$ 76,500	\$ 75,441
Operating grants and contributions	16,117	22,781	-	-	16,117	22,781
Capital grants and contributions	1,659	934	-	-	1,659	934
General revenues:						
Property taxes	64,255	61,045	-	-	64,255	61,045
Excises	4,210	4,006	-	-	4,210	4,006
Penalties and interest on taxes	2,297	1,862	-	-	2,297	1,862
Grants and contributions not restricted to specific programs	4,612	4,522	-	-	4,612	4,522
Investment income	110	354	(52)	491	58	845
Other	425	427	739	41	1,164	468
Total revenues	<u>121,369</u>	<u>121,818</u>	<u>49,503</u>	<u>50,086</u>	<u>170,872</u>	<u>171,904</u>
Expenses:						
General government	7,301	7,515	-	-	7,301	7,515
Public safety	14,680	14,636	-	-	14,680	14,636
Education	54,137	58,609	-	-	54,137	58,609
Public works	12,124	9,032	-	-	12,124	9,032
Water and sewer	9,356	10,556	-	-	9,356	10,556
Broadband cable	5,644	5,567	-	-	5,644	5,567
Health and human services	1,343	1,387	-	-	1,343	1,387
Culture and recreation	3,647	3,256	-	-	3,647	3,256
Employee benefits	17,409	18,500	-	-	17,409	18,500
Interest on long-term debt	1,880	1,821	-	-	1,880	1,821
Intergovernmental	1,282	1,247	-	-	1,282	1,247
Electric	-	-	37,199	38,176	37,199	38,176
Total expenses	<u>128,803</u>	<u>132,126</u>	<u>37,199</u>	<u>38,176</u>	<u>166,002</u>	<u>170,302</u>
Change in net position before transfers	(7,434)	(10,308)	12,304	11,910	4,870	1,602
Transfers in (out)	<u>7,328</u>	<u>5,403</u>	<u>(7,828)</u>	<u>(5,653)</u>	<u>(500)</u>	<u>(250)</u>
Change in net position	(106)	(4,905)	4,476	6,257	4,370	1,352
* Net position - beginning of year, as restated	<u>52,749</u>	<u>87,669</u>	<u>(20,064)</u>	<u>(24,906)</u>	<u>32,685</u>	<u>62,763</u>
Net position - end of year	<u>\$ 52,643</u>	<u>\$ 82,764</u>	<u>\$ (15,588)</u>	<u>\$ (18,649)</u>	<u>\$ 37,055</u>	<u>\$ 64,115</u>

*See Notes 22 and 25.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$37,054,539 a change of \$4,369,541 from the prior year.

The largest portion of net position \$121,040,700 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 \$3,470,224 represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted governmental net position is a deficit of \$(51,011,319) primarily because of unfunded pension and other post-employment benefits (see Notes 21 and 22). The business-type net assets reflect a deficit balance of \$(15,588,404) because of legal obligations paid in prior years, which will be raised in future utility rates.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(105,561). Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 1,541,609
Nonmajor fund - accrual basis	329,570
Excess principal maturities, over depreciation a nonbudgeted expense	(1,348,191)
Change in other post employment benefits	(2,444,688)
Change in net pension liability	622,692
Other	<u>1,193,447</u>
Total	<u>\$ (105,561)</u>

Business-type activities. Business-type (electric) activities for the year resulted in a change in net position of \$4,475,102.

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'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.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$9,964,995, a change of \$(13,554,950) in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$	1,541,609
DPW facility		(10,958,506)
Nonmajor funds		<u>(4,138,053)</u>
Total	\$	<u><u>(13,554,950)</u></u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,029,819 while total fund balance was \$12,597,174. 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>6/30/15</u>	<u>6/30/14</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 6,029,819	\$ 6,377,582	\$ (347,763)	5.3%
Total fund balance	\$ 12,597,174	\$ 11,055,565	\$ 1,541,609	11.0%

The total fund balance of the general fund changed by \$1,541,609 during the current fiscal year. Key factors in this change are as follows:

Excess of state and local revenues over budget	\$	1,875,256
Budgetary appropriation surplus		47,116
Excess of tax collections over budget		361,148
Excess of current year encumbrances to be spent in the subsequent year over prior year encumbrances spent in the current year		1,805,151
Use of free cash and overlay surplus		(2,814,851)
Change in stabilization balance		645,354
Other timing differences		<u>(377,565)</u>
Total	\$	<u><u>1,541,609</u></u>

Included in the total general fund balance is the Town's stabilization account with the following balance:

	<u>6/30/15</u>	<u>6/30/14</u>	<u>Change</u>
General stabilization	\$ 3,109,702	\$ 2,464,348	\$ 645,354

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 \$(36,445,066), a change of \$(2,806,193) in comparison to the prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There were no major differences between the original budget and the final amended budget.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$200,018,341 (net of accumulated depreciation), a change of \$11,571,762 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

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

- \$10,958,506 – DPW facility
- \$525,000 – Land acquisition

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

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$122,271,636, all of which was backed by the full faith and credit of the government.

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

REQUESTS FOR INFORMATION

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

Office of the Town Accountant
Town of Norwood, Massachusetts
566 Washington Street
Norwood, Massachusetts 02062

TOWN OF NORWOOD, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 21,435,059	\$ 7,904,922	\$ 29,339,981
Investments	5,704,570	7,430,067	13,134,637
Receivables, net of allowance for uncollectibles:			
Property taxes	440,936	-	440,936
Excises	208,129	-	208,129
User fees	913,144	5,704,771	6,617,915
Departmental and other	414,376	-	414,376
Intergovernmental	1,895,665	-	1,895,665
Deposits held by others	-	4,208,999	4,208,999
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	534,641	-	534,641
Capital assets:			
Land and construction in progress	17,321,754	14,093,089	31,414,843
Other capital assets, net of accumulated depreciation	144,923,913	23,679,585	168,603,498
DEFERRED OUTFLOWS OF RESOURCES	<u>2,909,614</u>	<u>137,102</u>	<u>3,046,716</u>
TOTAL ASSETS	196,701,801	63,158,535	259,860,336
LIABILITIES			
Current:			
Warrants payable	4,111,932	9,721	4,121,653
Accrued liabilities	1,690,980	3,349,455	5,040,435
Tax refunds payable	768,062	-	768,062
Customer deposits and reserves	-	4,224,024	4,224,024
Notes payable	12,215,364	-	12,215,364
Other current liabilities	90,846	-	90,846
Current portion of long-term liabilities:			
Bonds payable	5,177,986	6,720,000	11,897,986
Compensated absence	131,150	14,941	146,091
Bond premium	72,694	127,248	199,942
Landfill postclosure	20,000	-	20,000
Noncurrent:			
Bonds payable, net of current portion	51,247,750	59,125,900	110,373,650
Compensated absence, net of current portion	2,491,853	283,878	2,775,731
Bond premium, net of current portion	581,557	1,944,810	2,526,367
Landfill postclosure, net of current portion	260,000	-	260,000
Accrued other post-employment benefits	32,895,887	1,424,840	34,320,727
Net pension liability	<u>32,302,797</u>	<u>1,522,122</u>	<u>33,824,919</u>
TOTAL LIABILITIES	144,058,858	78,746,939	222,805,797
NET POSITION			
Net investment in capital assets	100,184,038	20,856,662	121,040,700
Restricted for:			
Grants and other statutory restrictions	2,585,932	-	2,585,932
Permanent funds:			
Nonexpendable	479,533	-	479,533
Expendable	404,759	-	404,759
Unrestricted	<u>(51,011,319)</u>	<u>(36,445,066)</u>	<u>(87,456,385)</u>
TOTAL NET POSITION	<u>\$ 52,642,943</u>	<u>\$ (15,588,404)</u>	<u>\$ 37,054,539</u>

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

TOWN OF NORWOOD, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

	<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>
Governmental Activities:							
General government	\$ 7,301,212	\$ 901,174	\$ 749,938	\$ -	\$ (5,650,100)	\$ -	\$ (5,650,100)
Public safety	14,680,227	2,538,990	129,864	-	(12,011,373)	-	(12,011,373)
Education	54,137,042	2,277,118	13,939,332	-	(37,920,592)	-	(37,920,592)
Public works	12,124,174	1,363,125	621,275	1,659,388	(8,480,386)	-	(8,480,386)
Water and sewer	9,355,784	13,219,099	-	-	3,863,315	-	3,863,315
Broadband cable	5,643,640	6,940,304	-	-	1,296,664	-	1,296,664
Health and human services	1,343,070	153,510	168,421	-	(1,021,139)	-	(1,021,139)
Culture and recreation	3,647,340	290,911	508,902	-	(2,847,527)	-	(2,847,527)
Employee benefits	17,408,969	-	-	-	(17,408,969)	-	(17,408,969)
Interest	1,880,345	-	-	-	(1,880,345)	-	(1,880,345)
Intergovernmental	1,281,949	-	-	-	(1,281,949)	-	(1,281,949)
Total Governmental Activities	128,803,752	27,684,231	16,117,732	1,659,388	(83,342,401)	-	(83,342,401)
Business-Type Activities:							
Electric light services	37,199,242	48,815,691	-	-	-	11,616,449	11,616,449
Total	\$ 166,002,994	\$ 76,499,922	\$ 16,117,732	\$ 1,659,388	(83,342,401)	11,616,449	(71,725,952)
General Revenues and Transfers:							
Property taxes					64,254,776	-	64,254,776
Excises					4,209,820	-	4,209,820
Penalties, interest and other taxes					2,296,818	-	2,296,818
Grants and contributions not restricted to specific programs					4,611,892	-	4,611,892
Investment income					110,692	(51,605)	59,087
Miscellaneous					424,989	738,111	1,163,100
Transfers, net					7,327,853	(7,827,853)	(500,000)
Total general revenues and transfers					83,236,840	(7,141,347)	76,095,493
Change in Net Position					(105,561)	4,475,102	4,369,541
Net Position:							
Beginning of year, as restated					52,748,504	(20,063,506)	32,684,998
End of year					\$ 52,642,943	\$ (15,588,404)	\$ 37,054,539

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

TOWN OF NORWOOD, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2015

	<u>General</u>	<u>DPW Facility Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 12,692,800	\$ 3,743,959	\$ 4,998,300	\$ 21,435,059
Investments	4,927,989	-	776,581	5,704,570
Receivables:				
Property taxes	1,375,412	-	-	1,375,412
Excises	421,560	-	-	421,560
User fees	1,314,604	-	-	1,314,604
Departmental and other	414,376	-	-	414,376
Intergovernmental	<u>917,777</u>	<u>-</u>	<u>977,888</u>	<u>1,895,665</u>
TOTAL ASSETS	\$ <u>22,064,518</u>	\$ <u>3,743,959</u>	\$ <u>6,752,769</u>	\$ <u>32,561,246</u>
LIABILITIES				
Warrants payable	\$ 3,198,389	\$ -	\$ 913,543	\$ 4,111,932
Accrued liabilities	1,046,318	-	-	1,046,318
Tax refunds payable	768,062	-	-	768,062
Notes payable	-	7,500,000	4,715,364	12,215,364
Other liabilities	<u>90,846</u>	<u>-</u>	<u>-</u>	<u>90,846</u>
TOTAL LIABILITIES	5,103,615	7,500,000	5,628,907	18,232,522
DEFERRED INFLOWS OF RESOURCES	4,363,729	-	-	4,363,729
FUND BALANCES				
Nonspendable	-	-	479,533	479,533
Restricted	-	850,310	4,134,217	4,984,527
Assigned	6,567,355	-	-	6,567,355
Unassigned	<u>6,029,819</u>	<u>(4,606,351)</u>	<u>(3,489,888)</u>	<u>(2,066,420)</u>
TOTAL FUND BALANCES	<u>12,597,174</u>	<u>(3,756,041)</u>	<u>1,123,862</u>	<u>9,964,995</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ <u>22,064,518</u>	\$ <u>3,743,959</u>	\$ <u>6,752,769</u>	\$ <u>32,561,246</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, 2015

Total governmental fund balances	\$ 9,964,995
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	162,245,667
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	3,349,003
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(644,661)
• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(92,878,877)
• Certain changes in the net pension liability, which are deferred to future reporting periods, are not reported in the governmental funds.	<u>(29,393,184)</u>
Net position of governmental activities	<u><u>\$ 52,642,943</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, 2015

	<u>General</u>	<u>DPW Facility Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 64,541,563	\$ -	\$ -	\$ 64,541,563
Excises	4,219,914	-	-	4,219,914
Penalties, interest and other taxes	2,296,818	-	-	2,296,818
Charges for services	21,473,965	-	3,431,537	24,905,502
Intergovernmental	11,174,308	-	4,982,284	16,156,592
Licenses and permits	2,641,497	-	-	2,641,497
Investment income	98,109	-	12,583	110,692
Miscellaneous	<u>217,567</u>	<u>-</u>	<u>1,165,834</u>	<u>1,383,401</u>
Total Revenues	106,663,741	-	9,592,238	116,255,979
Expenditures:				
Current:				
General government	5,399,528	-	2,321,365	7,720,893
Public safety	14,021,270	-	150,791	14,172,061
Education	39,876,249	-	6,358,046	46,234,295
Public works	9,496,617	10,958,506	2,795,507	23,250,630
Broadband cable	5,636,306	-	-	5,636,306
Water and sewer	10,311,237	-	-	10,311,237
Health and human services	1,122,607	-	164,730	1,287,337
Culture and recreation	2,614,842	-	830,360	3,445,202
Employee benefits	16,956,488	-	-	16,956,488
Debt service	7,521,672	-	-	7,521,672
Intergovernmental	<u>1,281,949</u>	<u>-</u>	<u>-</u>	<u>1,281,949</u>
Total Expenditures	<u>114,238,765</u>	<u>10,958,506</u>	<u>12,620,799</u>	<u>137,818,070</u>
Excess (deficiency) of revenues over expenditures	(7,575,024)	(10,958,506)	(3,028,561)	(21,562,091)
Other Financing Sources (Uses):				
Proceeds of bonds	-	-	679,288	679,288
Proceeds of refunding debt	25,512,983	-	-	25,512,983
Payment to refunding escrow agent	(25,512,983)	-	-	(25,512,983)
Transfers in	10,055,133	-	-	10,055,133
Transfers out	<u>(938,500)</u>	<u>-</u>	<u>(1,788,780)</u>	<u>(2,727,280)</u>
Total Other Financing Sources (Uses)	<u>9,116,633</u>	<u>-</u>	<u>(1,109,492)</u>	<u>8,007,141</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,541,609	(10,958,506)	(4,138,053)	(13,554,950)
Fund Equity, at Beginning of Year	<u>11,055,565</u>	<u>7,202,465</u>	<u>5,261,915</u>	<u>23,519,945</u>
Fund Equity, at End of Year	<u>\$ 12,597,174</u>	<u>\$ (3,756,041)</u>	<u>\$ 1,123,862</u>	<u>\$ 9,964,995</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, 2015

Net changes in fund balances - total governmental funds	\$ (13,554,950)								
<ul style="list-style-type: none"> • 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 border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay purchases</td> <td style="text-align: right;">16,454,018</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(6,901,534)</td> </tr> </table> 		Capital outlay purchases	16,454,018	Depreciation	(6,901,534)				
Capital outlay purchases	16,454,018								
Depreciation	(6,901,534)								
<ul style="list-style-type: none"> • 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 deferred revenue. 	684,203								
<ul style="list-style-type: none"> • The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table border="0" style="margin-left: 40px;"> <tr> <td>Issuance of debt</td> <td style="text-align: right;">(652,955)</td> </tr> <tr> <td>MWPAT bond proceed deferral</td> <td style="text-align: right;">(26,335)</td> </tr> <tr> <td>Refunding</td> <td style="text-align: right;">22,000</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">5,553,343</td> </tr> </table> 	Issuance of debt	(652,955)	MWPAT bond proceed deferral	(26,335)	Refunding	22,000	Repayments of debt	5,553,343	
Issuance of debt	(652,955)								
MWPAT bond proceed deferral	(26,335)								
Refunding	22,000								
Repayments of debt	5,553,343								
<ul style="list-style-type: none"> • In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 	15,290								
<ul style="list-style-type: none"> • Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. 	123,354								
<ul style="list-style-type: none"> • Accrued other post-employment benefits not reported in governmental funds 	(2,444,688)								
<ul style="list-style-type: none"> • Certain changes in the net pension liability, which are deferred to future reporting periods, are not reported in the governmental funds. 	<u>622,693</u>								
Change in net position of governmental activities	\$ <u><u>(105,561)</u></u>								

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

TOWN OF NORWOOD, MASSACHUSETTS

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues and Other Sources:				
Taxes	\$ 64,180,415	\$ 64,180,415	\$ 64,180,415	\$ -
Excise	4,094,351	4,094,351	4,219,914	125,563
Charges for services	22,185,477	22,185,477	21,473,965	(711,512)
Penalties, interest and other taxes	1,861,933	1,861,933	2,296,818	434,885
Licenses and permits	2,631,738	2,631,738	2,641,497	9,759
Intergovernmental	11,896,311	11,896,311	11,174,308	(722,003)
Investment income	38,601	38,601	36,255	(2,346)
Miscellaneous	268,403	268,403	128,676	(139,727)
Transfers in	6,245,996	6,245,996	9,126,633	2,880,637
Use of free cash	2,814,851	2,814,851	2,814,851	-
Other sources	<u>1,106,863</u>	<u>1,106,863</u>	<u>1,106,863</u>	<u>-</u>
Total Revenues and Other Sources	117,324,939	117,324,939	119,200,195	1,875,256
Expenditures and Other Uses:				
General government	5,920,854	5,920,854	5,656,895	263,959
Public safety	14,287,843	14,287,843	14,148,230	139,613
Education	40,410,715	40,410,715	40,385,879	24,836
Public works	8,979,929	8,979,929	10,089,989	(1,110,060)
Broadband cable	5,997,520	5,997,520	5,732,228	265,292
Water and sewer	10,406,328	10,406,328	10,391,506	14,822
Health and human services	1,170,255	1,170,255	1,125,097	45,158
Culture and recreation	2,631,517	2,631,517	2,610,679	20,838
Debt service	7,447,718	7,447,718	7,433,320	14,398
Intergovernmental	1,281,949	1,281,949	1,281,949	-
Employee benefits	17,968,052	17,468,052	17,099,792	368,260
Overlay deficit	238,759	238,759	238,759	-
Transfer out	<u>583,500</u>	<u>1,083,500</u>	<u>1,083,500</u>	<u>-</u>
Total Expenditures and Other Uses	<u>117,324,939</u>	<u>117,324,939</u>	<u>117,277,823</u>	<u>47,116</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,922,372</u>	\$ <u>1,922,372</u>

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

TOWN OF NORWOOD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2015

	Business-Type Activities <u>Enterprise Funds</u> Electric Light <u>Fund</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 7,904,922
Investments	7,430,067
Accounts receivable	5,704,771
Deposits held by others	<u>4,208,999</u>
Total current assets	25,248,759
Noncurrent:	
Capital Assets	
Land and construction in progress	14,093,089
Other capital assets, net of accumulated depreciation	<u>23,679,585</u>
Total noncurrent assets	<u>37,772,674</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>137,102</u>
TOTAL ASSETS	63,158,535
LIABILITIES	
Current:	
Warrants payable	9,721
Accrued liabilities	3,349,455
Customer deposits and reserves	4,224,024
Current portion of long-term liabilities:	
Bonds payable	6,720,000
Compensated absence	14,941
Bond premium	<u>127,248</u>
Total current liabilities	14,445,389
Noncurrent:	
Bonds payable, net of current portion	59,125,900
Compensated absence, net of current portion	283,878
Bond premium, net of current portion	1,944,810
Accrued other post-employment benefits	1,424,840
Net pension liability	<u>1,522,122</u>
Total noncurrent liabilities	<u>64,301,550</u>
TOTAL LIABILITIES	78,746,939
NET POSITION	
Net investment in capital assets	20,856,662
Unrestricted	<u>(36,445,066)</u>
TOTAL NET POSITION	<u>\$ (15,588,404)</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, 2015

	Business-Type Activities <u>Enterprise Funds</u> Electric Light <u>Fund</u>
Operating Revenues:	
Charges for services	\$ 48,815,691
Other	<u>738,111</u>
Total Operating Revenues	49,553,802
Operating Expenses:	
Operating expenses	31,482,432
Depreciation	1,352,192
Other	<u>1,676,246</u>
Total Operating Expenses	<u>34,510,870</u>
Operating Income	15,042,932
Nonoperating Revenues (Expenses):	
Interest expense	(2,688,372)
Investment income	<u>(51,605)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(2,739,977)</u>
Income Before Transfers	12,302,955
Transfers:	
Transfers out	<u>(7,827,853)</u>
Change in Net Position	4,475,102
Net Position at Beginning of Year	<u>(20,063,506)</u>
Net Position at End of Year	<u><u>\$ (15,588,404)</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, 2015

	Business-Type Activities <u>Enterprise Funds</u> Electric Light <u>Fund</u>
<u>Cash Flows From Operating Activities:</u>	
Receipts from customers and users	\$ 49,686,315
Payments to vendors and employees	<u>(31,132,606)</u>
Net Cash Provided by Operating Activities	18,553,709
<u>Cash Flows From Noncapital Financing Activities:</u>	
Allocation of customer deposits	(701,884)
Transfers out	<u>(7,827,853)</u>
Net Cash (Used For) Noncapital Financing Activities	(8,529,737)
<u>Cash Flows From Capital and Related Financing Activities:</u>	
Acquisition and construction of capital assets	(3,371,470)
Principal payments on bonds and notes	(6,723,000)
Interest expense	<u>(2,688,372)</u>
Net Cash (Used For) Capital and Related Financing Activities	(12,782,842)
<u>Cash Flows From Investing Activities:</u>	
Investment income	(51,605)
Change in investments	<u>3,024,211</u>
Net Cash Provided by Investing Activities	<u>2,972,606</u>
Net Change in Cash and Short-Term Investments	213,736
Cash and Short-Term Investments, Beginning of Year	<u>7,691,186</u>
Cash and Short-Term Investments, End of Year	<u>\$ 7,904,922</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>	
Operating income	\$ 15,042,932
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,352,192
Changes in assets and liabilities:	
User fees	132,513
Other assets	(137,474)
Warrants and accounts payable	9,721
Accrued liabilities	2,081,307
Net pension liability	107,761
Other liabilities	<u>(35,243)</u>
Net Cash Provided By Operating Activities	<u>\$ 18,553,709</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, 2015

	Pension Trust Fund <u>(December 31, 2014)</u>	Other Post-Employment Benefits Trust <u>Fund</u>	Agency <u>Funds</u>
<u>ASSETS</u>			
Cash and short-term investments	\$ 789,061	\$ -	\$ 656,199
Investments	137,481,934	764,976	-
Accounts receivable	<u>95,836</u>	<u>-</u>	<u>64,314</u>
Total Assets	138,366,831	764,976	720,513
 <u>LIABILITIES AND NET POSITION</u>			
Other liabilities	<u>111,909</u>	<u>-</u>	<u>720,513</u>
Total Liabilities	<u>111,909</u>	<u>-</u>	<u>720,513</u>
 <u>NET POSITION</u>			
Total net position held in trust	<u>\$ 138,254,922</u>	<u>\$ 764,976</u>	<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, 2014

	Pension Trust Fund (For the Year Ended <u>December 31, 2014</u>)	Other Post-Employment Benefits Trust <u>Fund</u>
Additions:		
Contributions:		
Employers	\$ 3,902,090	\$ -
Other systems and Commonwealth of Massachusetts	328,865	24,393
Plan members	3,004,907	-
Other	72,913	-
Transfers in	<u>-</u>	<u>500,000</u>
Total contributions	7,308,775	524,393
Investment Income:		
Increase (decrease) in fair value of investments	7,907,000	(16,447)
Less: management fees	<u>(843,325)</u>	<u>-</u>
Net investment income	<u>7,063,675</u>	<u>(16,447)</u>
Total additions	14,372,450	507,946
Deductions:		
Benefit payments to plan members and beneficiaries	9,487,076	-
Refunds to plan members	79,011	-
Administrative expenses	378,786	-
Other	<u>168,075</u>	<u>-</u>
Total deductions	<u>10,112,948</u>	<u>-</u>
Net increase	4,259,502	507,946
Net position:		
Beginning of year	<u>133,995,420</u>	<u>257,030</u>
End of year	<u><u>\$ 138,254,922</u></u>	<u><u>\$ 764,976</u></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 (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable.

Blended Component Units - Blended component units are entities that are legally separate, but are so related that they are, in substance, the same as the primary government, providing services entirely or almost entirely for the benefit of the primary government. The following component unit is blended within the primary government:

In the Fiduciary Funds: The Norwood Retirement System (the System)—The system is a defined benefit contributory retirement system created under state statute. It is administered by a Retirement Board comprised of five members: the Town Accountant who serves ex officio; two individuals elected by the participants in the system; and individual appointed by the Board of Selectmen; and an individual chosen by the members. The system provides pension benefits to retired Town employees. Other financial information for the System can be obtained from the office of the Retirement Board, Norwood Town Hall, 566 Washington Street, 3rd Floor, Norwood, Massachusetts 02062.

B. 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.

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

Government-wide Financial Statements

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

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 collectible 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, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *DPW facility construction capital project fund* is used to account for activities relating to the new DPW facility project.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as 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 *pension trust fund* accounts for the activities of the Employees Contributory Retirement System, which accumulates resources for pension benefit payments to qualified employees.

The *other post-employment benefits trust fund* is used to account for assets that are dedicated to providing benefits to retirees. These funds reduce the unfunded actuarial liability of healthcare and other post-employment benefits. Contributions to this fund are irrevocable.

D. Cash and Short-Term 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, and savings accounts. 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 combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

E. Investments

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

Investments for the Contributory Retirement System and Trust Funds consist of marketable securities, bonds, and short-term money market investments. Investments are carried at market value.

F. 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 percent (excluding new growth), unless an override is voted. The actual fiscal year 2015 tax levy reflected an excess capacity of \$71,790.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only) 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 \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets 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

H. 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.

I. 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.

J. 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 the current assets and current liabilities. 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 Town's fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., Town meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

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 their use either through the 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.

K. 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 the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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. Effective budgetary control is achieved for all other funds through provisions of the 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.

B. Budgetary Basis

The general fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the general and proprietary funds 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 and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 106,663,741	\$ 114,238,765
Other financing sources/uses (GAAP basis)	<u>10,055,133</u>	<u>938,500</u>
Subtotal (GAAP Basis)	116,718,874	115,177,265
Adjust tax revenue to accrual basis	(361,148)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(2,972,204)
Add end-of-year appropriation carryforwards from expenditures	-	4,777,355
To record use of free cash	2,814,851	-
Other sources	1,106,863	-
To remove unbudgeted stabilization fund	(500,354)	145,000
Other timing differences	<u>(578,891)</u>	<u>150,407</u>
Budgetary basis	<u>\$ 119,200,195</u>	<u>\$ 117,277,823</u>

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2015:

School computers	\$ (212,352)
DPW facility	(4,606,351)
Land acquisition	(525,000)
Callahan boiler	(50,936)
Prescott floor	(85,382)
School new vehicles	(122,825)
Fire ambulance	(286,247)
DPW new equipment	(297,000)
MWPAT project	(1,904,233)
Town hall repair	<u>(5,913)</u>
	<u>\$ (8,096,239)</u>

This deficit will be eliminated through future bond proceeds.

3. Cash and Short-Term Investments

Custodial credit risk for deposits is the risk that in the event of a bank failure, the deposits may not be returned. The custodial credit risk for investments is

the risk that, in the event of a 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.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's and Contributory Retirement System's (the System) deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent 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." Massachusetts General Law Chapter 32, Section 23, limits the System's deposits "in a bank or trust company to an amount not exceeding ten percent of the capital and surplus of such bank or trust company." The Town and System does not have a deposit policy for custodial credit risk.

As of June 30, 2015 and December 31, 2014, \$0 and \$691,815 of the Town's and System's bank balances of \$31,219,465 and \$941,815, respectively, were exposed to custodial credit risk as uninsured or uncollateralized.

4. Investments

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below (in thousands) is the actual rating as of year-end for each investment of the Town. (All federal agency securities have an implied credit rating of AAA.):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Aaa</u>
U.S. Treasury	\$ 726		\$ -	\$ 726
Certificates of deposits	3,163		-	3,163
Corporate bonds	1,360		-	1,360
Corporate equities	1,718	N/A	1,718	-
Mutual funds	5,310	N/A	5,310	-
Federal agency securities	<u>1,623</u>		<u>-</u>	<u>1,623</u>
Total investments	<u>\$ 13,900</u>		<u>\$ 7,028</u>	<u>\$ 6,872</u>

Massachusetts General Law, 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, provided that no more than the established percentage of assets is invested in any one security.

Presented below is the actual rating as of year-end of the System (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Aaa</u>
U.S. Treasury	\$ 6,342	N/A	\$ -	\$ 6,342
Corporate equities	29,390	N/A	29,390	-
Mutual funds	<u>101,750</u>	N/A	<u>101,750</u>	-
Total investments	<u>\$ 137,482</u>		<u>\$ 131,140</u>	<u>\$ 6,342</u>

B. 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 Town does not have policies for custodial credit risk.

All of the Town's and System's investments of \$13,899,613 and \$137,481,934 respectively, are exposed to custodial credit risk because the related securities are uninsured, unregistered and/or held by the Town's and System's brokerage firm, which is also the counterparty to these securities. The Town and System manage this custodial credit risk with SIPC, excess SIPC, and by maintaining investments in the Town's name.

C. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. Investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments are as follows:

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
Federal national mortgage assn	\$ 254	2%
Federal home mortgage corp	\$ 1,169	8%
Federal home loan bank	\$ 200	1%

Massachusetts General Law Chapter 32, Section 23 limits the amount the System may invest in any one issuer or security type, with the exception of the PRIT Fund. The System does not have an investment in one issuer greater than 5% of total investments.

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>N/A</u>
Debt Related Securities:					
U.S. Treasury	\$ 726	\$ -	\$ 517	\$ 209	\$ -
Certificates of deposit	3,163	1,936	1,227	-	-
Corporate bonds	1,360	202	1,158	-	-
Corporate equities	1,718	-	-	-	1,718
Mutual funds	5,310	-	-	-	5,310
Federal agency securities	1,623	152	1,268	203	-
Total	<u>\$ 13,900</u>	<u>\$ 2,290</u>	<u>\$ 4,170</u>	<u>\$ 412</u>	<u>\$ 7,028</u>

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>Fair Value</u>	<u>Investment Maturities (in Years)</u>				<u>N/A</u>
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>	
Debt Related Securities:						
U.S. Treasury	\$ 6,342	\$ 13	\$ 2,362	\$ 2,320	\$ 1,647	\$ -
Corporate equities	29,390	-	-	-	-	29,390
Mutual funds	101,750	-	-	-	-	101,750
Total	<u>\$ 137,482</u>	<u>\$ 13</u>	<u>\$ 2,362</u>	<u>\$ 2,320</u>	<u>\$ 1,647</u>	<u>\$ 131,140</u>

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. Neither the Town nor the Retirement System has policies for foreign currency risk.

5. Taxes Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1 of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a semiannual basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2015 consist of the following (in thousands):

Real Estate		
2015	\$ 500	
2011	<u>1</u>	
		501
Personal Property		
2015	(40)	
2014	78	
2013	22	
2012	20	
2011	24	
Prior	<u>176</u>	
		280
Tax Liens		<u>594</u>
Total		<u>\$ 1,375</u>

6. Allowance for Doubtful Accounts

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts (in thousands):

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 399	\$ -
Excises	\$ 213	\$ -
Utilities	\$ -	\$ 443

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2015.

8. Interfund Fund Transfers

Transfers between Governmental and Business-Type Activities do not offset by \$500,000. This is due to a transfer between the Other Post-Employment Benefits Trust fund and Governmental funds.

9. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 150,604	\$ 136	\$ -	\$ 150,740
Machinery, equipment, and furnishings	21,056	1,243	-	22,299
Infrastructure	<u>84,291</u>	<u>3,576</u>	<u>-</u>	<u>87,867</u>
Total capital assets, being depreciated	255,951	4,955	-	260,906
Less accumulated depreciation for:				
Buildings and improvements	(45,582)	(3,070)	-	(48,652)
Machinery, equipment, and furnishings	(13,841)	(1,423)	-	(15,264)
Infrastructure	<u>(49,658)</u>	<u>(2,408)</u>	<u>-</u>	<u>(52,066)</u>
Total accumulated depreciation	<u>(109,081)</u>	<u>(6,901)</u>	<u>-</u>	<u>(115,982)</u>
Total capital assets, being depreciated, net	146,870	(1,946)	-	144,924
Capital assets, not being depreciated:				
Land	1,083	525	-	1,608
Construction in progress	<u>4,740</u>	<u>10,974</u>	<u>-</u>	<u>15,714</u>
Total capital assets, not being depreciated	<u>5,823</u>	<u>11,499</u>	<u>-</u>	<u>17,322</u>
Governmental activities capital assets, net	<u>\$ 152,693</u>	<u>\$ 9,553</u>	<u>\$ -</u>	<u>\$ 162,246</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 14,316	\$ -	\$ -	\$ 14,316
Machinery, equipment, and furnishings	3,584	873	-	4,457
Infrastructure	<u>41,858</u>	<u>689</u>	<u>-</u>	<u>42,547</u>
Total capital assets, being depreciated	59,758	1,562	-	61,320
Less accumulated depreciation for:				
Buildings and improvements	(2,819)	(363)	-	(3,182)
Machinery, equipment, and furnishings	(2,630)	(180)	-	(2,810)
Infrastructure	<u>(30,839)</u>	<u>(809)</u>	<u>-</u>	<u>(31,648)</u>
Total accumulated depreciation	<u>(36,288)</u>	<u>(1,352)</u>	<u>-</u>	<u>(37,640)</u>
Total capital assets, being depreciated, net	23,470	210	-	23,680
Capital assets, not being depreciated:				
Land	14	-	-	14
Construction in progress	<u>12,269</u>	<u>1,810</u>	<u>-</u>	<u>14,079</u>
Total capital assets, not being depreciated	<u>12,283</u>	<u>1,810</u>	<u>-</u>	<u>14,093</u>
Business-type activities capital assets, net	<u>\$ 35,753</u>	<u>\$ 2,020</u>	<u>\$ -</u>	<u>\$ 37,773</u>

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

Governmental Activities:	
General government	\$ 414
Public safety	858
Education	2,619
Public works	1,949
Culture and recreation	191
Human services	62
Water and sewer	<u>808</u>
Total depreciation expense - governmental activities	<u>\$ 6,901</u>
Business-Type Activities:	
Light	<u>\$ 1,351</u>
Total depreciation expense - business-type activities	<u>\$ 1,351</u>

10. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets.

The following is a summary of deferred outflow of resources balances as of June 30, 2015:

	<u>Entity-wide Basis</u>	
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
Deferred outflows - pension plan	\$ 2,909,614	\$ 137,102

11. Warrants Payable

Warrants payable represent 2015 expenditures paid by July 15, 2015.

12. Tax Refunds Payable

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the state Appellate Tax Board.

13. Notes Payable

The Town had the following notes outstanding at June 30, 2015:

	<u>Interest</u> <u>Rate</u>	<u>Date of</u> <u>Issue</u>	<u>Date of</u> <u>Maturity</u>	<u>Balance at</u> <u>6/30/15</u>
General Obligation	1.00%	03/26/15	08/28/15	\$ 9,556,000
MWPAT Interim Loan Meadowbrook	0.10%	08/01/14	09/01/15	2,534,364
MWPAT Interim Loan CW-11-12A	0.10%	08/01/14	09/01/15	<u>125,000</u>
Total				<u>\$ 12,215,364</u>

The following summarizes activity in notes payable during fiscal year 2015:

	<u>Balance</u> <u>Beginning</u> <u>of Year</u>	<u>New</u> <u>Issues</u>	<u>Maturities</u>	<u>Balance</u> <u>End of</u> <u>Year</u>
State Aid Anticipation Note	\$ 138,282	\$ -	\$ (138,282)	\$ -
General Obligation	-	9,556,000	-	9,556,000
MWPAT Interim Loan Meadowbrook	2,534,364	-	-	2,534,364
MWPAT Interim Loan CW-11-12A	<u>-</u>	<u>125,000</u>	<u>-</u>	<u>125,000</u>
Total	<u>\$ 2,672,646</u>	<u>\$ 9,681,000</u>	<u>\$ (138,282)</u>	<u>\$ 12,215,364</u>

14. Long-Term Debt

A. General Obligation Bonds

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

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/15</u>
MWRA Water Bond	11/15/2015	0.000%	\$ 6,000
MWRA Water Bond	2/15/2016	0.000%	10,000
MWRA Water Bond	8/15/2016	0.000%	173,585
MWRA Water Bond	8/15/2016	0.000%	351,174
Broad Band Equipment Upgrade	10/15/2016	2.044%	365,000
MWRA Water Bond	8/15/2017	0.000%	115,500
MWRA Water Bond	8/15/2017	0.000%	257,169
MWRA Sewer Bond	5/15/2018	0.000%	198,000
GOB - Library Remodeling (I) Refunding	1/15/2019	2.190%	255,100
MWRA Water Bond	8/15/2019	0.000%	256,983
GOB - Water Department Equipment	10/15/2019	1.909%	25,000
GOB - Fire Department Equipment	10/15/2019	1.948%	300,000
Water Pollution Abatement Trust (I)	6/30/2020	5.344%	265,000
Water Pollution Abatement Trust (I)	6/30/2020	5.350%	75,000
MWRA Water Bond	8/15/2020	0.000%	298,994
GOB - Landfill Closure (O) Refunding	1/15/2021	2.480%	531,000
General Obligation Bond	1/15/2021	2.445%	790,000
General Obligation Refunding 10/01/01	10/1/2021	2.802%	6,465,000
General Obligation 2012	1/15/2022	1.240%	1,455,000
General Obligation Refunding 3/29/2012	1/15/2022	1.570%	1,970,000
Water Bond	8/15/2022	0.000%	400,000
GOB - School Building Repairs	10/15/2022	2.540%	300,000
GOB - Police/Fire Building Repairs	10/15/2022	2.649%	125,000
GOB - Outdoor Recreational Facilities	10/15/2022	2.504%	185,000
General Obligation Bond	1/15/2024	3.260%	1,050,000
General Obligation Bond	8/15/2024	3.750%	140,000
General Obligation Municipal Purpose	8/15/2024	4.213%	325,000
GOB - High School Planning	8/15/2030	3.577%	4,055,000
MWPAT	1/15/2033	2.000%	1,469,150
MWPAT CW11-12	1/15/2033	2.000%	1,997,126
GOB - High School Construction	8/15/2034	3.830%	16,520,000
General Obligation Municipal 1/16/14	1/15/2034	2.988%	6,805,000
General Obligation DPW Facility	6/15/2044	3.388%	6,090,000
MWRA 6/26/14	8/15/2023	0.000%	450,000
General Obligation Refunding 4/23/2015	8/15/2024	1.566%	1,698,000
MWRA Water Bond 8/25/14	8/15/2024	0.000%	500,000
MWRA Water Bond 4/27/15	5/15/2020	0.000%	71,500
MWRA Water Bond 3/2/15	2/15/2020	0.000%	81,455
Total Governmental Activities:			<u>\$ 56,425,736</u>

<u>Business-Type Activities:</u>	<u>Serial</u>	<u>Interest</u>	<u>Amount</u>
<u>Electric Light Enterprise</u>	<u>Maturities</u>	<u>Rate(s) %</u>	<u>Outstanding</u>
	<u>Through</u>		<u>as of</u>
			<u>6/30/15</u>
Electric Substation	1/15/2021	2.480%	\$ 3,683,900
GOB - Electric Judgment/Settlement	1/15/2023	3.597%	10,885,000
GOB - Electric Judgment/Settlement	8/14/2024	3.095%	13,325,000
GOB - Electric Light Dept. Expansion	10/15/2024	2.612%	3,000,000
GOB - Electric	8/15/2029	4.756%	13,500,000
General Obligation Refunding 4/23/2015	8/15/2024	1.566%	21,452,000
Total Business-Type Activities:			<u>\$ 65,845,900</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2015 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 5,177,986	\$ 1,846,240	\$ 7,024,226
2017	4,995,449	1,710,140	6,705,589
2018	4,677,196	1,569,233	6,246,429
2019	4,453,410	1,436,143	5,889,553
2020	4,296,718	1,295,499	5,592,217
2021 - 2025	14,523,119	4,660,104	19,183,223
2026 - 2030	9,172,154	2,715,826	11,887,980
2031 - 2035	7,239,704	1,091,172	8,330,876
2036 - 2040	1,050,000	294,000	1,344,000
2041 - 2044	840,000	84,000	924,000
Total	<u>\$ 56,425,736</u>	<u>\$ 16,702,357</u>	<u>\$ 73,128,093</u>

The general fund has been designated as the sole sources to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2015.

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 6,720,000	\$ 3,325,544	\$ 10,045,544
2017	6,790,000	3,212,261	10,002,261
2018	6,945,000	2,911,086	9,856,086
2019	7,067,900	2,561,546	9,629,446
2020	7,199,000	2,160,130	9,359,130
2021 - 2025	26,624,000	4,465,296	31,089,296
2026 - 2030	4,500,000	610,650	5,110,650
Total	<u>\$ 65,845,900</u>	<u>\$ 19,246,513</u>	<u>\$ 85,092,413</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2015, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/14</u>	Additions	Reductions	Total Balance <u>6/30/15</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/15</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 61,348	\$ 653	\$ (5,575)	\$ 56,426	\$ (5,178)	\$ 51,248
Other:						
Compensated absences	2,654	-	(31)	2,623	(131)	2,492
Bond premium	727	-	(73)	654	(73)	581
Landfill closure	300	-	(20)	280	(20)	260
Accrued other post- employment benefits	30,451	2,445	-	32,896	-	32,896
Net pension liability	30,016	2,287	-	32,303	-	32,303
Totals	<u>\$ 125,496</u>	<u>\$ 5,385</u>	<u>\$ (5,699)</u>	<u>\$ 125,182</u>	<u>\$ (5,402)</u>	<u>\$ 119,780</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 72,569	\$ -	\$ (6,723)	\$ 65,846	\$ (6,720)	\$ 59,126
Other:						
Compensated absence	320	-	(21)	299	(15)	284
Bond premium	2,199	-	(127)	2,072	(127)	1,945
Accrued other post- employment benefits	1,312	113	-	1,425	-	1,425
Net pension liability	1,414	108	-	1,522	-	1,522
Totals	<u>\$ 77,814</u>	<u>\$ 221</u>	<u>\$ (6,871)</u>	<u>\$ 71,164</u>	<u>\$ (6,862)</u>	<u>\$ 64,302</u>

D. Advance and Current Refundings

Current Year

On April 23, 2015, the Town issued general obligation bonds in the amount of \$23,150,000 with various interest rates ranging from 2.00% to 4.00% to advance refund \$23,385,000 of bonds with an interest rates ranging from 3.50% to 4.375%. The bonds mature on August 15 and January 15 and are callable on August 15, 2015, August 15, 2017 and January 15, 2018. The general obligation bonds were issued at 1.545653% and, after paying issuance costs of \$123,030, the net proceeds were \$25,512,983. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are called on August 15, 2015, August 15, 2017 and January 15, 2018. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the Town's financial statements.

As a result of the advance refunding, the Town reduced its total debt service cash flow requirements by \$1,288,560, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,076,800.

Defeased principal still outstanding at June 30, 2015 is \$23,385,000.

15. Landfill Closure and Postclosure Care Costs

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

The \$280,000 reported as landfill postclosure care liability at June 30, 2015 represents the future monitoring costs of the landfill. These costs will be captured annually as part of the operating budget. Actual cost may be higher due to inflation, changes in technology, or changes in regulation.

16. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net assets by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The following is a summary of deferred inflow of resources balances as of June 30, 2015:

	<u>Fund Basis</u>
	Governmental Funds
	<u>General Fund</u>
Unavailable revenues	\$4,363,729

17. Restricted Net Position

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position.

Permanent fund restricted net position is segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

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, 2015:

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 general fund encumbrances for non-lapsing, and special article appropriations approved at Town Meeting.

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.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the Town's fund balances at June 30, 2015:

	General Fund	DPW Facility Major Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 479,533	\$ 479,533
Total Nonexpendable	-	-	479,533	479,533
Restricted				
Capital project funds	-	850,310	1,079,036	1,929,346
Special revenue funds	-	-	2,650,422	2,650,422
Expendable permanent funds	-	-	404,759	404,759
Total Restricted	-	850,310	4,134,217	4,984,527

(continued)

(continued)

	General Fund	DPW Facility Major Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assigned				
Encumbrances				
General government	592,349	-	-	592,349
Public safety	372,206	-	-	372,206
Education	2,337,861	-	-	2,337,861
Public works	644,750	-	-	644,750
Broadband cable	239,811	-	-	239,811
Water and sewer	89,683	-	-	89,683
Health and human services	9,235	-	-	9,235
Culture and recreation	94,700	-	-	94,700
Employee benefits	396,760	-	-	396,760
Reserved for expenditures	<u>1,790,000</u>	<u>-</u>	<u>-</u>	<u>1,790,000</u>
Total Assigned	6,567,355	-	-	6,567,355
Unassigned				
General operating stabilization	3,109,702	-	-	3,109,702
General fund	<u>2,920,117</u>	<u>(4,606,351)</u>	<u>(3,489,888)</u>	<u>(5,176,122)</u>
Total Unassigned	<u>6,029,819</u>	<u>(4,606,351)</u>	<u>(3,489,888)</u>	<u>(2,066,420)</u>
Total Fund Balances	<u>\$ 12,597,174</u>	<u>\$ (3,756,041)</u>	<u>\$ 1,123,862</u>	<u>\$ 9,964,995</u>

19. General Fund Unassigned Fund Balance

The unassigned general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in certain respects from the Massachusetts Uniform Municipal Accounting System (UMAS). The following paragraphs summarize the major differences.

The accompanying financial statements include an estimate for future potential tax refunds, which is not recognized under UMAS.

The following summarizes the specific differences between GAAP basis and budgetary basis of reporting the general fund unassigned fund balance:

GAAP basis balance	\$ 6,029,819
Stabilization fund	(3,109,702)
Tax refund estimate	<u>768,062</u>
Statutory (UMAS) Balance	<u>\$ 3,688,179</u>

20. Commitments and Contingencies

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.

21. Post-Employment Healthcare and Life Insurance Benefits

Other Post-Employment Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

A. Plan Description

In addition to providing the pension benefits described, the Town provides post-employment healthcare and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of June 30, 2015, the actuarial valuation date, approximately 969 retirees and 889 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

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

C. Funding Policy

Retirees contribute a variable percentage of stated premiums, depending on the health insurance they participate in. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2015 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount

actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2015, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of June 30, 2015.

Annual Required Contribution (ARC)	\$ 6,429,547
Interest on net OPEB obligation	952,579
Adjustment to ARC	<u>(971,719)</u>
Annual OPEB cost	6,410,407
Contributions made	<u>(3,852,934)</u>
Increase in net OPEB obligation	2,557,473
Net OPEB obligation - beginning of year	<u>31,763,254</u>
Net OPEB obligation - end of year	<u><u>\$ 34,320,727</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 6,410,407	60%	\$ 34,320,727
2014	\$ 8,123,648	44%	\$ 31,763,254
2013	\$ 7,853,947	46%	\$ 27,216,557

E. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2015, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 106,478,384
Actuarial value of plan assets	<u>(765,769)</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 105,712,615</u></u>
Funded ratio (actuarial value of plan assets/AAL)	<u><u>72%</u></u>
Covered payroll (active plan members)	<u><u>\$ 55,387,067</u></u>
UAAL as a percentage of covered payroll	<u><u>191%</u></u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to the Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

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

In the June 30, 2015 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4% investment rate of return and an initial annual healthcare cost trend rate of 6.5%, which decreases to a 4.5% long-term rate for all healthcare benefits after six years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4%.

22. Retirement System

The Town follows the provisions of GASB Statement No. 67 *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees' retirement funds.

A. Plan Description

The System is a member of the Massachusetts Contributory Retirement Systems and is governed by Chapter 32 of the Massachusetts General Laws. Because of the significance of its operational and financial relation-

ship with the Town, the System is included as a pension trust fund in the Town's basic financial systems.

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 the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid.

The System is governed by a five-member board. The five members include two appointed by the town, two elected by the members and retirees, and a fifth member chosen by the other four members with the approval of the Public Employee Retirement Administration Commission. The System Retirement Board does not have the authority to amend benefit provisions.

Membership of each plan consisted of the following at June 30, 2015:

Retirees and beneficiaries receiving benefits	310
Terminated plan members entitled to but not yet receiving benefits	168
Active plan members	<u>569</u>
Total	<u><u>1,047</u></u>
Number of participating employers	2

B. Benefits Provided

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification. Members become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 65 or upon attaining 20 years of service. The plan also provides for early retirement at age 55 if the participant (1) has a record of 10 years of creditable service, (2) was on the Town/City payroll on January 1, 1978, (3) voluntarily left Town/City employment on or after that date, and (4) left accumulated annuity deductions in the fund. 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.

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 percent, 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.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive zero, fifty, or one hundred percent of the regular interest which has accrued upon those deductions. However, effective July 1, 2010, members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3% and do not forfeit any interest previously earned on contributions.

C. Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired 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%

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, 2015 was \$3,764,002, which was equal to its annual required contribution.

D. Summary of Significant Accounting Policies

The accounting policies of the System as reflected in the accompanying financial statements for the year ended June 30, 2015 conform to generally

accepted accounting principles for public employee retirement systems (PERS). The more significant accounting policies of the System are summarized below:

Basis of Accounting - Contributory retirement system financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized as revenue in the period in which the members provide services to the employer. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments

Investment Policy

Investments are reported at fair value in accordance with PERAC requirements. System assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

Rate of Return

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 5.639%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

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.

E. Net Pension Liability of Participating Employers

The components of the net pension liability of the participating employers at June 30, 2015 were as follows:

Net Pension Liability of Employers

	<u>Total System</u>
Total pension liability	\$ 173,320,749
Plan fiduciary net position	<u>138,254,922</u>
Employers' net pension liability	<u>\$ 35,065,827</u>
Plan fiduciary net position as a percentage of total pension liability	79.8%

Actuarial Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation is shown below:

Valuation Date	<u>1/1/2014</u>
Actuarial cost method	Entry Age
Actuarial assumptions:	
Investment rate of return	8.25%
Projected salary increases	3.00%
Inflation rate	Not explicitly assumed
Post-retirement cost-of-living adjustment	3.00%

Actuarial valuation of the ongoing Systems involves estimates of the reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Mortality rates were based on the RP-2000 Mortality Table for males and females, adjusted to 2015 with Scale AA. Mortality for disabled members is represented by the RP-2000 Mortality Table set forward two years for all disabled members.

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 arithmetic 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>
Fixed income	30.00%	33.80%
Domestic equity	33.00%	18.00%
International equity	24.00%	19.60%
Real estate	8.00%	59.00%
Private equity	5.00%	9.60%
Cash and cash equivalents	0.00%	2.20%

Discount Rate: The discount rate used to measure the total pension liability was 8.25%. 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 8.25 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (7.25%) or 1 percentage-point higher (9.25%) than the current rate:

<u>Fiscal Year Ended</u>	<u>1% Decrease (7.25%)</u>	<u>Current Discount Rate (8.25%)</u>	<u>1% Increase (9.25%)</u>
6/30/2015	\$ 20,251,547	\$ 33,824,919	\$ 19,664,866

F. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Town reported a liability of \$33,824,919 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. 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 December 31, 2014, the Town's proportion was 96.4612 percent.

For the year ended June 30, 2015, the Town recognized pension expense of \$4,063,018. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 3,046,716
Total	<u>\$ 3,046,716</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2015	\$ 761,679
2016	761,679
2017	761,679
2018	<u>761,679</u>
Total	<u>\$ 3,046,716</u>

23. Massachusetts Teachers' Retirement System (MTRS)

A. 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 on behalf of municipal teachers and municipal teacher retirees. The Commonwealth 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'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.

B. Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes 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 three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five 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 ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten 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.

C. Contributions

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

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 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

D. Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of January 1, 2014 rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of January 1, 2014, rolled back to June 30, 2013. This valuation used the following assumptions:

- (a) 8.0% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.
- Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
- Mortality rates were as follows:
 - Pre-retirement - reflects RP-2000 Employees table adjusted for “white-collar” employment projected 22 years with Scale AA (gender distinct)
 - Post-retirement - reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct)
 - Disability – reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct) set forward 3 years for males.

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, 2014 and 2013 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	
		<u>2014</u>	<u>2013</u>
Global equity	43.0%	7.2%	7.70%
Core fixed income	13.0%	2.5%	2.00%
Hedge funds	10.0%	5.5%	4.75%
Private equity	10.0%	8.8%	9.00%
Real estate	10.0%	6.3%	6.00%
Value added fixed income	10.0%	6.3%	6.30%
Timeber/natural resources	4.0%	5.0%	5.00%
Total	<u>100.0%</u>		

E. Discount Rate

The discount rate used to measure the total pension liability was 8.0%. 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'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.

F. 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):

<u>Fiscal Year Ended</u>	<u>1% Decrease to 7%</u>	<u>Current Discount Rate 8%</u>	<u>1% Increase to 9%</u>
June 30, 2013	\$ 21,426,000	\$ 17,234,000	\$ 13,672,000
June 30, 2014	\$ 20,247,000	\$ 15,896,000	\$ 12,200,000

G. Special Funding Situation

The Commonwealth 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 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.

H. Town Proportions

In fiscal year 2014 (the most recent measurement period), the Commonwealth's proportionate share of the MTRS' collective net pension liability and pension expense that is associated with the Town was \$63,449,721 and \$4,408,157 respectively, based on a proportionate share of .399%. As required by GASB 68, the Town has recognized its portion of the collective pension expense as both a revenue and expense in the government-wide Statement of Activities.

24. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

25. Beginning Net Position Restatement

The beginning (July 1, 2014) net position of the Town has been restated as follows:

Government-Wide Financial Statements:

	Governmental <u>Activities</u>	Business-Type <u>Activities</u> Electric Enterprise <u>Fund</u>	<u>Total</u>
As previously reported	\$ 82,764,380	\$ (18,649,145)	\$ 64,115,235
GASB 68 implementation	<u>(30,015,876)</u>	<u>(1,414,361)</u>	<u>(31,430,237)</u>
As restated	<u>\$ 52,748,504</u>	<u>\$ (20,063,506)</u>	<u>\$ 32,684,998</u>

**TOWN OF NORWOOD, MASSACHUSETTS
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION**

JUNE 30, 2015

(Unaudited)

(Amounts expressed in thousands)

Other Post-Employment Benefits						
Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) - Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percent- age of Covered Payroll <u>[(b-a)/c]</u>
06/30/15	\$ 766	\$ 106,478	\$ 105,712	0.7%	\$ 55,387	190.9%
06/30/13	\$ -	\$ 123,311	\$ 123,311	0.0%	\$ 55,387	222.6%
06/30/11	\$ -	\$ 139,668	\$ 139,668	0.0%	\$ 55,240	252.8%
01/01/08	\$ -	\$ 132,031	\$ 132,031	0.0%	\$ 42,589	310.0%

See Independent Auditors' Report.

TOWN OF NORWOOD, MASSACHUSETTS
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015
(Unaudited)

<u>Norwood Retirement System:</u>	<u>2015</u>
Proportion of the net pension liability for the most recent measurement date	96.4612%
Proportionate share of the net pension liability for the most recent measurement date	\$ 33,824,919
Covered-employee payroll for the most recent measurement date	\$ 28,082,402
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	120.45%
Plan fiduciary net position as a percentage of the total pension liability	79.8%

Massachusetts Teachers' Retirement System:

Proportion of the net pension liability for the most recent measurement date	0.399%
The Town's proportionate share of the net pension liability for the most recent measurement date	\$ -
Commonwealth of Massachusetts' total proportionate share of the net pension liability that is associated with the Town	<u>63,449,721</u>
Total net pension liability associated with the Town	<u>\$ 63,449,721</u>
Covered-employee payroll for the most recent measurement date	\$ 24,473,613
The Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	-
Plan fiduciary net position as a percentage of the total pension liability	61.64%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available

See Independent Auditors' Report.

**TOWN OF NORWOOD, MASSACHUSETTS
SCHEDULE OF CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2015
(Unaudited)**

<u>Norwood Retirement System:</u>	<u>2015</u>
Contractually required contribution for the current fiscal year	\$ 3,764,002
Contributions in relation to the contractually required contribution	<u>(3,764,002)</u>
Contribution deficiency (excess)	\$ <u><u>-</u></u>
Covered-employee payroll for the current fiscal year	\$ 28,082,402
Contributions as a percentage of covered-employee payroll	13.4034%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available

See Independent Auditors' Report.

**TOWN OF NORWOOD, MASSACHUSETTS
CONTRIBUTORY RETIREMENT SYSTEM**

Schedule of Changes in the Net Pension Liability

(Unaudited)

	<u>2015</u>
Total pension liability	
Service cost	\$ 3,079,297
Interest on unfunded liability - time value of \$	13,981,063
Benefit payments, including refunds of member contributions	<u>(10,127,739)</u>
Net change in total pension liability	6,932,621
Total pension liability - beginning	<u>166,388,128</u>
Total pension liability - ending (a)	\$ <u><u>173,320,749</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 4,165,589
Contributions - member	3,004,906
Net investment income	6,986,174
Benefit payments, including refunds of member contributions	(9,734,161)
Administrative expense	(301,285)
Other	<u>328,865</u>
Net change in plan fiduciary net position	4,450,088
Plan fiduciary net position - beginning	<u>133,804,834</u>
Plan fiduciary net position - ending (b)	\$ <u><u>138,254,922</u></u>
Net pension liability (asset) - ending (a-b)	\$ <u><u>35,065,827</u></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 Auditors' Report.

**TOWN OF NORWOOD, MASSACHUSETTS
CONTRIBUTORY RETIREMENT SYSTEM**

Schedules of Net Pension Liability, Contributions, and Investment Returns

(Unaudited)

Schedule of Net Pension Liability

	<u>2015</u>
Total pension liability	\$ 173,320,749
Plan fiduciary net position	<u>138,254,922</u>
Net pension liability (asset)	<u>\$ 35,065,827</u>
Plan fiduciary net position as a percentage of the total pension liability	79.77%
Covered employee payroll	\$ 29,112,640
Participating employer net pension liability (asset) as a percentage of covered employee payroll	120.45%

Schedule of Contributions

	<u>2015</u>
Actuarially determined contribution	\$ 3,902,000
Contributions in relation to the actuarially determined contribution	<u>3,902,000</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered employee payroll	\$ 29,112,640
Contributions as a percentage of covered employee payroll	13.40%

Schedule of Investment Returns

Year Ended December 31

	<u>2015</u>
Annual money weighted rate of return, net of investment expense	5.64%

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

See Independent Auditors' Report.