



TOWN OF NORWOOD, MASSACHUSETTS

Annual Financial Statements
For the Year Ended June 30, 2019

(With Independent Auditors' Report Thereon)

Town of Norwood, Massachusetts

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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, 2019, (except for the Town of Norwood, Massachusetts' Contributory Retirement System which is as of and for the year ended December 31, 2018) and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The Town's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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, 2019, (except for the Town of Norwood, Massachusetts' Contributory Retirement System which is as of and for the year ended December 31, 2018) and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and certain Pension and OPEB schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2020 on our consideration of the Town's internal control over financial reporting

and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town's internal control over financial reporting and compliance.

Melanson Heath

March 11, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Norwood, Massachusetts (the Town), we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2019.

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 comprise 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, liabilities, and deferred outflows/inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, water and sewer, broadband cable, health and human services and culture and recreation. The business-type activities include electric light activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. 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 fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise funds.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for electric 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 liabilities and deferred inflows exceeded assets and deferred outflows by \$(52,133,261) (i.e., net position), a change of \$10,205,233 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$14,712,680, a change of \$5,741,186 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$9,783,608, a change of \$3,187,452 in comparison to the prior year. Additionally, included is the stabilization funds' balance of \$5,340,345.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years. All amounts are presented in thousands.

	<u>NET POSITION</u>					
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 40,262	\$ 36,638	\$ 29,018	\$ 19,967	\$ 69,280	\$ 56,605
Capital assets	<u>173,870</u>	<u>174,639</u>	<u>41,346</u>	<u>41,394</u>	<u>215,216</u>	<u>216,033</u>
Total assets	214,132	211,277	70,364	61,361	284,496	272,638
Deferred outflows of resources	11,335	5,543	534	259	11,869	5,802
Long-term liabilities outstanding	185,537	234,095	43,597	52,695	229,134	286,790
Other liabilities	<u>31,263</u>	<u>32,699</u>	<u>26,304</u>	<u>14,111</u>	<u>57,567</u>	<u>46,810</u>
Total liabilities	216,800	266,794	69,901	66,806	286,701	333,600
Deferred inflows of resources	59,016	6,855	2,781	323	61,797	7,178
Net investment in capital assets	104,709	104,255	11,048	15,523	115,757	119,778
Restricted	7,433	4,885	-	-	7,433	4,885
Unrestricted	<u>(162,491)</u>	<u>(165,969)</u>	<u>(12,832)</u>	<u>(21,032)</u>	<u>(175,323)</u>	<u>(187,001)</u>
Total net position	<u>\$ (50,349)</u>	<u>\$ (56,829)</u>	<u>\$ (1,784)</u>	<u>\$ (5,509)</u>	<u>\$ (52,133)</u>	<u>\$ (62,338)</u>

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 \$(52,133,261), a change of \$10,205,233 in comparison to the prior year.

The largest portion of net position \$115,756,746 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 \$7,431,916 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(175,321,923) primarily resulting from unfunded pension and OPEB liabilities.

CHANGES IN NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues:						
Program revenues:						
Charges for services	\$ 32,061	\$ 29,217	\$ 61,483	\$ 55,339	\$ 93,544	\$ 84,556
Operating grants and contributions	26,544	22,055	-	-	26,544	22,055
Capital grants and contributions	89	457	-	-	89	457
General revenues:						
Property taxes	75,762	73,310	-	-	75,762	73,310
Excises	4,899	4,689	-	-	4,899	4,689
Penalties and interest on taxes	2,327	2,413	-	-	2,327	2,413
Grants and contributions not restricted to specific programs	5,537	5,254	-	-	5,537	5,254
Investment income	718	232	881	(98)	1,599	134
Other	1,807	688	61	60	1,868	748
Total revenues	<u>149,744</u>	<u>138,315</u>	<u>62,425</u>	<u>55,301</u>	<u>212,169</u>	<u>193,616</u>
Expenses:						
General government	14,933	12,267	-	-	14,933	12,267
Public safety	29,526	31,857	-	-	29,526	31,857
Education	65,174	63,541	-	-	65,174	63,541
Public works	10,666	11,797	-	-	10,666	11,797
Water and sewer	13,290	12,702	-	-	13,290	12,702
Broadband cable	6,337	6,208	-	-	6,337	6,208
Health and human services	2,318	2,202	-	-	2,318	2,202
Culture and recreation	4,883	6,076	-	-	4,883	6,076
Interest on long-term debt	2,093	1,951	-	-	2,093	1,951
Intergovernmental	2,041	1,722	-	-	2,041	1,722
Electric	-	-	50,703	40,303	50,703	40,303
Total expenses	<u>151,261</u>	<u>150,323</u>	<u>50,703</u>	<u>40,303</u>	<u>201,964</u>	<u>190,626</u>

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Change in net position before transfers	(1,517)	(12,008)	11,722	14,998	10,205	2,990
Transfers in (out)	<u>7,997</u>	<u>7,141</u>	<u>(7,997)</u>	<u>(7,141)</u>	<u>-</u>	<u>-</u>
Change in net position	6,480	(4,867)	3,725	7,857	10,205	2,990
Net position - beginning of year	<u>(56,829)</u>	<u>(51,962)</u>	<u>(5,509)</u>	<u>(13,366)</u>	<u>(62,338)</u>	<u>(65,328)</u>
Net position - end of year	<u>\$ (50,349)</u>	<u>\$ (56,829)</u>	<u>\$ (1,784)</u>	<u>\$ (5,509)</u>	<u>\$ (52,133)</u>	<u>\$ (62,338)</u>

Governmental activities. Governmental activities for the year resulted in a change in net position of \$6,479,697. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 1,982,954
Other governmental fund operations, accrual basis	3,400,946
Excess depreciation, a nonbudgeted expense, over principal maturities	(775,179)
Change in net OPEB liability and related deferred outflows/inflows	2,536,226
Change in net pension liability and related deferred outflows/inflows	(1,210,199)
Other	<u>544,949</u>
Total	<u>\$ 6,479,697</u>

Business-type activities. Business-type (electric) activities for the year resulted in a change in net position of \$3,725,536, primarily because bond debt service payments continued to exceed depreciation expense.

D. FINANCIAL ANALYSIS OF 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 \$14,712,680, a change of \$5,741,186 in comparison to the prior year.

Key elements of this change are as follows:

General fund operating results	\$ 1,982,954
Major fund operating results	(105,765)
Nonmajor funds operating results	<u>3,863,997</u>
Total	<u>\$ 5,741,186</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 \$9,783,608 while total fund balance was \$14,783,274. 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>6/30/19</u>	<u>6/30/18</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 9,783,608	\$ 6,596,156	\$ 3,187,452	7.2%
Total fund balance	\$ 14,783,274	\$ 12,800,320	\$ 1,982,954	10.8%

The total fund balance of the general fund changed by \$1,982,954 during the current fiscal year. Key factors in this change are as follows:

Surplus of state and local revenues and transfers in over budget	\$ 945,845
Budgetary appropriation surplus	2,143,265
Surplus of tax collections over budget	906,462
Excess of current year encumbrances to be spent in the subsequent year, over prior year encumbrances spent in the current year	(201,095)
Use of free cash and overlay surplus as a funding source	(2,348,164)
Use of prior year fund balance	(102,229)
Change in stabilization balance	797,617
Other timing differences	<u>(158,747)</u>
Total	<u>\$ 1,982,954</u>

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

	<u>6/30/19</u>	<u>6/30/18</u>	<u>Change</u>
General stabilization	\$ 5,226,583	\$ 4,542,728	\$ 683,855
DPW stabilization	<u>113,762</u>	<u>-</u>	<u>113,762</u>
Total	<u>\$ 5,340,345</u>	<u>\$ 4,542,728</u>	<u>\$ 797,617</u>

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 \$(12,831,381), a change of \$(8,200,504) 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 material 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 \$215,216,083 (net of accumulated depreciation). 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:

- \$1,067,543 – St. Gabriel’s restoration
- \$805,098 – Town wide software (MUNIS)
- \$1,645,998 – Light infrastructure

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 \$106,919,652, all of which was backed by the full faith and credit of the Town.

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 Director of Finance and Accounting
Town of Norwood, Massachusetts
566 Washington Street
Norwood, Massachusetts 02062

TOWN OF NORWOOD, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2019

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 32,003,727	\$ 13,095,756	\$ 45,099,483
Investments	6,102,842	4,370,358	10,473,200
Receivables, net of allowance for uncollectibles:			
Property taxes	435,489	-	435,489
Excises	270,019	-	270,019
User fees	919,307	6,598,116	7,517,423
Departmental and other	219,427	-	219,427
Intergovernmental	51,123	-	51,123
Deposits held by others	-	4,953,687	4,953,687
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	260,312	-	260,312
Capital assets:			
Land and construction in progress	36,194,422	6,833,405	43,027,827
Other capital assets, net of accumulated depreciation	137,675,727	34,512,529	172,188,256
Deferred Outflows of Resources			
Related to pensions	<u>11,334,792</u>	<u>534,100</u>	<u>11,868,892</u>
Total Assets and Deferred Outflows of Resources	225,467,187	70,897,951	296,365,138
Liabilities			
Current:			
Warrants payable	4,809,149	1,196,917	6,006,066
Accrued liabilities	4,197,751	352,153	4,549,904
Tax refunds payable	792,519	-	792,519
Customer deposits and reserves	-	4,589,462	4,589,462
Notes payable	13,500,000	12,500,000	26,000,000
Other current liabilities	862,384	-	862,384
Current portion of long-term liabilities:			
Bonds payable	6,940,977	7,646,248	14,587,225
Other	161,209	18,335	179,544
Noncurrent:			
Bonds payable, net of current portion	55,094,609	37,237,818	92,332,427
Net pension liability	42,262,751	1,991,439	44,254,190
Net OPEB liability	85,315,887	4,020,120	89,336,007
Other, net of current portion	2,862,965	348,366	3,211,331
Deferred Inflows of Resources			
Related to pensions	48,387	2,280	50,667
Related to OPEB	<u>58,968,073</u>	<u>2,778,600</u>	<u>61,746,673</u>
Total Liabilities and Deferred Inflows of Resources	275,816,661	72,681,738	348,498,399
Net Position			
Net investment in capital assets	104,709,152	11,047,594	115,756,746
Restricted for:			
Grants and other statutory restrictions	6,569,738	-	6,569,738
Permanent funds:			
Nonexpendable	501,233	-	501,233
Expendable	360,945	-	360,945
Unrestricted	<u>(162,490,542)</u>	<u>(12,831,381)</u>	<u>(175,321,923)</u>
Total Net Position	<u>\$ (50,349,474)</u>	<u>\$ (1,783,787)</u>	<u>\$ (52,133,261)</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, 2019

	<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	\$ 14,933,272	\$ 752,638	\$ 3,085,695	\$ -	\$ (11,094,939)	\$ -	\$ (11,094,939)
Public safety	29,525,878	3,569,800	192,073	-	(25,764,005)	-	(25,764,005)
Education	65,174,156	2,654,091	21,197,681	-	(41,322,384)	-	(41,322,384)
Public works	10,665,960	1,456,129	1,075,994	88,978	(8,044,859)	-	(8,044,859)
Water and sewer	13,289,781	15,396,745	-	-	2,106,964	-	2,106,964
Broadband cable	6,337,071	7,842,120	-	-	1,505,049	-	1,505,049
Health and human services	2,317,876	133,332	383,567	-	(1,800,977)	-	(1,800,977)
Culture and recreation	4,883,342	256,123	609,368	-	(4,017,851)	-	(4,017,851)
Interest	2,093,526	-	-	-	(2,093,526)	-	(2,093,526)
Intergovernmental	2,041,577	-	-	-	(2,041,577)	-	(2,041,577)
Total Governmental Activities	151,262,439	32,060,978	26,544,378	88,978	(92,568,105)	-	(92,568,105)
Business-Type Activities							
Electric light services	50,702,537	61,482,996	-	-	-	10,780,459	10,780,459
Total	\$ 201,964,976	\$ 93,543,974	\$ 26,544,378	\$ 88,978	(92,568,105)	10,780,459	(81,787,646)
General Revenues and Transfers							
Property taxes					75,762,384	-	75,762,384
Excises					4,899,169	-	4,899,169
Penalties, interest and other taxes					2,327,482	-	2,327,482
Grants and contributions not restricted to specific programs					5,536,636	-	5,536,636
Investment income					718,491	880,874	1,599,365
Miscellaneous					1,807,078	60,765	1,867,843
Transfers, net					7,996,562	(7,996,562)	-
Total general revenues and transfers					99,047,802	(7,054,923)	91,992,879
Change in Net Position					6,479,697	3,725,536	10,205,233
Net Position							
Beginning of year					(56,829,171)	(5,509,323)	(62,338,494)
End of year					\$ (50,349,474)	\$ (1,783,787)	\$ (52,133,261)

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

TOWN OF NORWOOD, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2019

	<u>General</u>	<u>Forbes Land Acquisition Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and short-term investments	\$ 19,110,660	\$ 500,508	\$ 12,392,559	\$ 32,003,727
Investments	5,340,345	-	762,497	6,102,842
Receivables:				
Property taxes	1,094,015	-	3,182	1,097,197
Excises	525,458	-	-	525,458
User fees	1,322,583	-	-	1,322,583
Departmental and other	320,366	-	-	320,366
Intergovernmental	-	-	51,123	51,123
Total Assets	<u>\$ 27,713,427</u>	<u>\$ 500,508</u>	<u>\$ 13,209,361</u>	<u>\$ 41,423,296</u>
Liabilities				
Warrants payable	\$ 4,536,706	\$ -	\$ 272,443	\$ 4,809,149
Accrued liabilities	3,560,960	-	-	3,560,960
Tax refunds payable	792,519	-	-	792,519
Notes payable	-	13,500,000	-	13,500,000
Other liabilities	<u>857,546</u>	<u>-</u>	<u>4,838</u>	<u>862,384</u>
Total Liabilities	9,747,731	13,500,000	277,281	23,525,012
Deferred Inflows of Resources				
Unavailable revenues	3,182,422	-	3,182	3,185,604
Fund Balances				
Nonspendable	-	-	501,233	501,233
Restricted	-	-	11,401,418	11,401,418
Committed	113,762	-	1,066,356	1,180,118
Assigned	4,885,904	-	-	4,885,904
Unassigned	<u>9,783,608</u>	<u>(12,999,492)</u>	<u>(40,109)</u>	<u>(3,255,993)</u>
Total Fund Balances	<u>14,783,274</u>	<u>(12,999,492)</u>	<u>12,928,898</u>	<u>14,712,680</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 27,713,427</u>	<u>\$ 500,508</u>	<u>\$ 13,209,361</u>	<u>\$ 41,423,296</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, 2019

Total governmental fund balances	\$ 14,712,680
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	173,870,149
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	2,024,554
Long-term liabilities, including bonds payable, net pension liability, and net OPEB liability are (net of related deferrals) not due and payable in the current period and, therefore, are not reported in the governmental funds.	(240,320,067)
Other	<u>(636,790)</u>
Net position of governmental activities	\$ <u><u>(50,349,474)</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, 2019

	<u>General</u>	<u>Forbes Land Acquisition Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 75,192,039	\$ -	\$ 634,444	\$ 75,826,483
Excises	4,812,878	-	-	4,812,878
Penalties, interest and other taxes	2,327,482	-	-	2,327,482
Charges for services	25,352,528	-	3,480,521	28,833,049
Intergovernmental	17,802,363	-	9,122,776	26,925,139
Licenses and permits	3,400,560	-	-	3,400,560
Investment income	672,814	-	45,677	718,491
Miscellaneous	<u>328,138</u>	<u>-</u>	<u>2,302,500</u>	<u>2,630,638</u>
Total Revenues	129,888,802	-	15,585,918	145,474,720
Expenditures				
General government	6,264,130	105,765	5,657,764	12,027,659
Public safety	16,554,189	-	153,442	16,707,631
Education	51,850,389	-	6,777,316	58,627,705
Public works	8,168,308	-	3,214,231	11,382,539
Broadband cable	6,337,071	-	-	6,337,071
Water and sewer	12,202,249	-	-	12,202,249
Health and human services	1,314,378	-	491,165	1,805,543
Culture and recreation	3,026,947	-	1,049,559	4,076,506
Employee benefits	20,354,890	-	-	20,354,890
Debt service	8,593,282	-	-	8,593,282
Intergovernmental	<u>2,041,577</u>	<u>-</u>	<u>-</u>	<u>2,041,577</u>
Total Expenditures	<u>136,707,410</u>	<u>105,765</u>	<u>17,343,477</u>	<u>154,156,652</u>
Excess (deficiency) of revenues over expenditures	(6,818,608)	(105,765)	(1,757,559)	(8,681,932)
Other Financing Sources (Uses)				
Issuance of bonds	-	-	6,208,556	6,208,556
Bond premiums	-	-	218,000	218,000
Transfers in	8,801,562	-	-	8,801,562
Transfers out	<u>-</u>	<u>-</u>	<u>(805,000)</u>	<u>(805,000)</u>
Total Other Financing Sources (Uses)	<u>8,801,562</u>	<u>-</u>	<u>5,621,556</u>	<u>14,423,118</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	1,982,954	(105,765)	3,863,997	5,741,186
Fund Balance, at Beginning of Year	<u>12,800,320</u>	<u>(12,893,727)</u>	<u>9,064,901</u>	<u>8,971,494</u>
Fund Balance, at End of Year	<u>\$ 14,783,274</u>	<u>\$ (12,999,492)</u>	<u>\$ 12,928,898</u>	<u>\$ 14,712,680</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, 2019

Net changes in fund balances - total governmental funds \$ 5,741,186

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:

Capital outlay	6,408,052
Depreciation	(7,176,561)

The issuance of long-term debt (e.g., bonds) 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:

Issuance of debt	(6,208,556)
Repayments of debt	6,401,382

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. (246,342)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Net pension liability and related deferred outflows and inflows of resources	(1,210,199)
Net OPEB liability and related deferred outflows and inflows of resources	2,536,226
Other	<u>234,509</u>

Change in net position of governmental activities \$ 6,479,697

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, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original <u>Budget</u>	Final <u>Budget</u>	Actual <u>Amounts</u>	
Revenues				
Property taxes	\$ 74,285,576	\$ 74,285,576	\$ 74,285,576	\$ -
Excise	4,953,422	4,953,422	4,812,878	(140,544)
Charges for services	26,133,439	26,133,439	25,352,528	(780,911)
Penalties, interest and other taxes	2,232,668	2,232,668	2,327,482	94,814
Licenses and permits	2,382,796	2,382,796	3,400,560	1,017,764
Intergovernmental	12,531,750	12,531,750	12,607,102	75,352
Investment income	356,089	356,089	303,768	(52,321)
Miscellaneous	-	-	304,009	304,009
	122,875,740	122,875,740	123,393,903	518,163
Expenditures				
General government	6,583,306	6,583,306	6,107,942	475,364
Public safety	16,659,439	16,659,439	16,492,761	166,678
Education	46,295,505	46,295,505	46,166,271	129,234
Public works	8,269,215	8,269,215	8,162,534	106,681
Broadband cable	7,138,781	7,138,781	6,427,276	711,505
Water and sewer	12,353,443	12,353,443	12,249,733	103,710
Health and human services	1,441,535	1,441,535	1,321,511	120,024
Culture and recreation	3,137,667	3,137,667	3,022,468	115,199
Employee benefits	20,780,971	20,780,971	20,568,566	212,405
Debt service	8,570,003	8,570,003	8,567,538	2,465
Intergovernmental	2,041,577	2,041,577	2,041,577	-
	133,271,442	133,271,442	131,128,177	2,143,265
Excess (deficiency) of revenues over expenditures and other uses	(10,395,702)	(10,395,702)	(7,734,274)	2,661,428
Other Financing Sources/Uses				
Transfers in	8,373,880	8,373,880	8,801,562	427,682
Transfers out	(428,571)	(428,571)	(428,571)	-
Use of free cash:				
Operating budget	1,685,164	1,685,164	1,685,164	-
Capital budget	663,000	663,000	663,000	-
Other sources	102,229	102,229	102,229	-
	10,395,702	10,395,702	10,823,384	427,682
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 3,089,110	\$ 3,089,110

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

TOWN OF NORWOOD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2019

	Business-Type Activities <u>Enterprise Funds</u> Electric Light <u>Fund</u>
Assets	
Current:	
Cash and short-term investments	\$ 13,095,756
Investments	4,370,358
Accounts receivable	6,598,116
Deposits held by others	<u>4,953,687</u>
Total current assets	29,017,917
Noncurrent:	
Capital Assets	
Land and construction in progress	6,833,405
Other capital assets, net of accumulated depreciation	<u>34,512,529</u>
Total noncurrent assets	41,345,934
Deferred Outflows of Resources	
Related to pensions	<u>534,100</u>
Total Assets and Deferred Outflows of Resources	70,897,951
Liabilities	
Current:	
Warrants payable	1,196,917
Accrued liabilities	352,153
Customer deposits and reserves	4,589,462
Notes payable	12,500,000
Current portion of long-term liabilities:	
Bonds payable	7,646,248
Other	<u>18,335</u>
Total current liabilities	26,303,115
Noncurrent:	
Bonds payable, net of current portion	37,237,818
Net pension liability	1,991,439
Net OPEB liability	4,020,120
Other, net of current portion	<u>348,366</u>
Total noncurrent liabilities	43,597,743
Deferred Inflows of Resources	
Related to pensions	2,280
Related to OPEB	<u>2,778,600</u>
Total Liabilities and Deferred Inflows of Resources	72,681,738
Net Position	
Net investment in capital assets	11,047,594
Unrestricted	<u>(12,831,381)</u>
Total Net Position	<u>\$ (1,783,787)</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, 2019

	Business-Type Activities Enterprise Funds Electric Light Fund
Operating Revenues	
Charges for services	\$ 61,482,996
Other	<u>60,765</u>
Total Operating Revenues	61,543,761
Operating Expenses	
Salaries and benefits	4,404,459
Purchase power	33,990,744
Other operating expenses	8,728,828
Depreciation	<u>1,863,161</u>
Total Operating Expenses	<u>48,987,192</u>
Operating Income	12,556,569
Nonoperating Revenues (Expenses)	
Interest expense	(1,715,345)
Investment income	<u>880,874</u>
Total Nonoperating Revenues (Expenses), Net	<u>(834,471)</u>
Income Before Transfers	11,722,098
Transfers	
Transfers out	<u>(7,996,562)</u>
Change in Net Position	3,725,536
Net Position at Beginning of Year	<u>(5,509,323)</u>
Net Position at End of Year	<u>\$ (1,783,787)</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, 2019

	Business-Type Activities <u>Enterprise Funds</u> Electric Light <u>Fund</u>
Cash Flows From Operating Activities	
Receipts from customers and users	\$ 61,148,187
Payments to vendors and employees	<u>(47,780,585)</u>
Net Cash Provided By Operating Activities	13,367,602
Cash Flows From Noncapital Financing Activities	
Allocation of customer deposits	104,929
Transfers out	<u>(7,996,562)</u>
Net Cash (Used For) Noncapital Financing Activities	(7,891,633)
Cash Flows From Capital and Related Financing Activities	
Proceeds from issuance of bonds and notes	12,500,000
Acquisition and construction of capital assets	(1,814,688)
Principal payments on bonds	(7,387,900)
Interest expense	<u>(1,715,345)</u>
Net Cash Provided by Capital and Related Financing Activities	1,582,067
Cash Flows From Investing Activities	
Investment income	880,874
Change in investments	<u>(247,844)</u>
Net Cash Provided By Investing Activities	<u>633,030</u>
Net Change in Cash and Short-Term Investments	7,691,066
Cash and Short-Term Investments, Beginning of Year	<u>5,404,690</u>
Cash and Short-Term Investments, End of Year	<u>\$ 13,095,756</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities	
Operating income	\$ 12,556,569
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,863,161
Changes in assets, liabilities, and deferred outflows/inflows:	
User fees	(395,574)
Other assets	(717,582)
Deferred outflows - related to pensions	(288,730)
Deferred outflows - related to OPEB	14,005
Warrants and accounts payable	1,195,030
Accrued liabilities	(1,738,675)
Net pension liability	666,466
Net OPEB liability	(2,111,393)
Deferred inflows - related to pensions	(320,711)
Deferred inflows - related to OPEB	2,778,600
Other liabilities	<u>(133,564)</u>
Net Cash Provided By Operating Activities	<u>\$ 13,367,602</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, 2019

	Pension and OPEB <u>Trust Funds</u>	Agency <u>Funds</u>
Assets		
Cash and short-term investments	\$ 2,237,411	\$ 852,198
Investments:		
Corporate equities	27,938,125	-
Equity mutual funds	87,473,718	-
External investment pool	32,571,255	-
Fixed income mutual funds	<u>6,682,007</u>	<u>-</u>
Total Investments	154,665,105	-
Accounts receivable	<u>28,476</u>	<u>-</u>
Total Assets	156,930,992	852,198
 Liabilities		
Warrants payable	-	432
Accounts payable	112,599	-
Other liabilities	<u>-</u>	<u>851,766</u>
Total Liabilities	<u>112,599</u>	<u>\$ 852,198</u>
 Net Position		
Restricted for pensions	154,038,066	
Restricted for OPEB purposes	<u>2,780,327</u>	
	<u>\$ 156,818,393</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, 2019

	<u>Pension and OPEB Trust Funds</u>
Additions	
Contributions:	
Employers	\$ 9,668,578
Plan members	3,548,434
Other systems and Commonwealth of Massachusetts	349,118
Other	<u>136,349</u>
Total contributions	13,702,479
Investment Income:	
Increase (decrease) in fair value of investments	(5,507,098)
Investment income	96,164
Less: management fees	<u>(1,131,326)</u>
Net investment income	<u>(6,542,260)</u>
Total additions	7,160,219
Deductions	
Benefit payments to plan members and beneficiaries	16,879,054
Refunds to plan members	58,676
Transfers to other systems	158,326
Administrative expenses	<u>282,963</u>
Total deductions	<u>17,379,019</u>
Net increase	(10,218,800)
Net position restricted for pensions and other purposes	
Beginning of year	<u>167,037,193</u>
End of year	<u>\$ 156,818,393</u>

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

TOWN OF NORWOOD, MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Norwood, Massachusetts (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the 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 Unit: - 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*. 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, certain expenditures such as debt service, claims

and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *general fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Forbes land acquisition fund* is the Town's capital project fund containing a capital purchase for a land parcel.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of 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 fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

The Town reports the following fiduciary funds:

- The *pension and OPEB trust funds* are used to accumulate resources for retiree post-employment benefits.
- The *agency funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

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 fair value, except certificates of deposit which are reported at cost.

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% (excluding new growth), unless an override is voted. The actual fiscal year 2019 tax levy reflected an excess capacity of \$246,490.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town

as assets with an initial individual cost of more than \$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 acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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/deferred outflows and current liabilities/deferred inflows. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

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 and proprietary funds. 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 fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

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

<u>General Fund</u>	Revenues and <u>Transfers In</u>	Expenditures and <u>Transfers Out</u>	Other Financing Uses <u>Sources/Uses</u>
Revenues/expenditures/transfers (GAAP basis)	\$ 129,888,802	\$ 136,707,410	\$ 8,801,562
Adjust tax revenue to accrual basis	(906,462)	-	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(3,285,809)	-
Add end-of-year appropriation carryforwards from expenditures	-	3,084,714	-
To record use of free cash	-	-	2,348,164
Other sources	-	-	102,229
To reverse the effect of non- budgeted State contributions	(5,195,261)	(5,195,261)	-
To remove unbudgeted stabilization fund	(369,046)	-	(428,571)
Other timing differences	<u>(24,130)</u>	<u>(182,877)</u>	<u>-</u>
Budgetary basis	<u>\$ 123,393,903</u>	<u>\$ 131,128,177</u>	<u>\$ 10,823,384</u>

D. Deficit Fund Equity

Certain individual funds reflected deficit balances as of June 30, 2019.

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

3. **Cash and Short-Term Investments**

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 60% of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." Massachusetts General Law Chapter 32, Section 23, limits the System's deposits "in a bank or trust company to an amount not exceeding 10% of the capital and surplus of such bank or trust company." The Town and System do not have a deposit policy for custodial credit risk.

As of June 30, 2019 and December 31, 2018, \$8,313,519 and \$316,038 of the Town's and System's bank balances of \$46,909,586 and \$2,369,594, respectively, were exposed to custodial credit risk as uninsured and/or uncollateralized. \$8,303,500 of the Town's uninsured and uncollateralized amount is on deposit with the Massachusetts Municipal Depository Trust, which is the state investment pool as authorized by Massachusetts General Law, Chapter 29, Section 38A.

4. **Investments**

Town (Excluding the OPEB and Pension Trust Funds)

The following is a summary of the Town's investments as of June 30, 2019 (in thousands):

<u>Investment Type</u>	<u>Amount</u>
Certificates of deposits	\$ 246
Corporate bonds	1,687
Corporate equities	1,378
Equity mutual funds	2,012
Federal agency securities	1,639
Fixed income mutual funds	1,602
U.S. Treasury notes	<u>1,909</u>
Total investments	<u>\$ 10,473</u>

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). The Town does not have formal investment policies related to credit risk.

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

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>	
		<u>AAA</u>	<u>Unrated</u>
Certificates of deposit	\$ 246	-	\$ 246
Corporate bonds	1,687	-	1,687
Fixed income mutual funds	1,602	-	1,602
Federal agency securities	1,639	1,639	-
U.S. Treasury notes	1,909	1,909	-
Total	\$ 7,083	\$ 3,548	\$ 3,535

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 formal investment policies related to custodial credit risk. The Town manages custodial credit risk exposure with SIPC and excess SIPC insurance.

As of June 30, 2019, all of the Town's total investments were subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the Town's brokerage firm, which is also the counterparty to these securities as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Held by</u>
		<u>Counterparty</u>
Corporate equities	\$ 1,378	\$ 1,378
Equity mutual funds	2,012	2,012
Federal agency securities	1,639	1,639
Total	\$ 5,029	\$ 5,029

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. The Town does not have formal investment policies related to concentration of credit risk exposure.

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

As of June 30, 2019, the Town 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 formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Certificates of deposits	\$ 246	\$ -	\$ 246	\$ -
Corporate bonds	1,687	402	1,285	-
Federal agency securities	1,639	75	1,264	300
U.S. Treasury notes	<u>1,909</u>	<u>511</u>	<u>1,194</u>	<u>204</u>
Total	<u>\$ 5,481</u>	<u>\$ 988</u>	<u>\$ 3,989</u>	<u>\$ 504</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. The Town does not have formal investment policies related to foreign currency risk.

F. Fair Value

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

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

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

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

The Town has the following fair value measurements as of June 30, 2019:

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>	
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)
Investments by fair value level:			
Corporate bonds	\$ 1,687	\$ -	\$ 1,687
Corporate equities	1,378	1,378	-
Equity mutual funds	2,012	2,012	-
Federal agency securities	1,639	1,639	-
Fixed income mutual funds	1,602	-	1,602
U.S. Treasury notes	<u>1,909</u>	1,909	-
Total	\$ <u><u>10,227</u></u>		

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

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

5. Investments - OPEB Trust Fund

The following is a summary of the OPEB Trust Fund’s investments as of June 30, 2019:

<u>Investment Type</u>	<u>Amount</u>
Corporate equities	\$ 2,118
Equity mutual funds	<u>658</u>
Total investments	<u>\$ 2,776</u>

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. State law employs the prudent person rule whereby investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The OPEB Trust Fund does not have formal investment policies related to credit risk.

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

<u>Investment Type</u>	<u>Amount</u>	Rating as of Year <u>End</u> <u>Unrated</u>
Equity mutual funds	\$ <u>658</u>	\$ <u>658</u>
Total	\$ <u><u>658</u></u>	\$ <u><u>658</u></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 OPEB Trust Fund does not have formal investment policies related to custodial credit risk. The Town manages custodial credit risk exposure with SIPC and excess SIPC insurance.

As of June 30, 2019, all of the OPEB Trust Fund's total investments were subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the OPEB Trust Fund's brokerage firm, which is also the counterparty to these securities as follows:

<u>Investment Type</u>	<u>Amount</u>	Held by <u>Counterparty</u>
Corporate equities	\$ 2,118	\$ 2,118
Equity mutual funds	<u>658</u>	<u>658</u>
Total	<u>\$ 2,776</u>	<u>\$ 2,776</u>

C. Concentration of Credit Risk

The OPEB Trust Fund places no limit on the amount the OPEB Trust Fund may invest in any one issuer. The OPEB Trust Fund does not have formal investment policies related to concentration of credit risk exposure.

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

<u>Investment Issuer</u>	<u>Amount</u>	% of total <u>Investments</u>
Corporate equities	\$ 2,118	76%
Equity mutual funds	<u>658</u>	24%
Total	<u>\$ 2,776</u>	

D. Foreign Currency Risk

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

E. Fair Value

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

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

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

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The OPEB Plan’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The OPEB Trust Fund has the following fair value measurements as of June 30, 2019:

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>	
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>
Investments by fair value level:			
Corporate equities	\$ 2,118	\$ 2,118	\$ -
Equity mutual funds	<u>658</u>	658	-
Total	<u>\$ 2,776</u>		

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

6. Investments - Pension Trust Fund (The System)

The following is a summary of the System’s investments as of December 31, 2018 (in thousands):

<u>Investment Type</u>	<u>Amount</u>
Corporate equities	\$ 25,820
Equity mutual funds	86,816
External investment pool*	32,571
Fixed income mutual funds	<u>6,682</u>
Total investments	<u>\$ 151,889</u>

**Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust was created under Massachusetts general law, Chapter 32, Section 22, in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts general law, Chapter 30B.*

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. 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.

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

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 System’s investment policy manages custodial credit risk through diversification and the “prudent person” principles outlined in PERAC guidelines.

The System’s investments of \$151,889,122 were exposed to custodial credit risk as uninsured and uncollateralized.

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

C. Concentration of Credit Risk

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.

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

As of December 31, 2018, the System did not have any investments subject to concentration of credit risk disclosure as any investment classifications exceeding 5% are exempt.

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 System does not have formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Thereafter</u>
Fixed income mutual funds	\$ <u>6,682</u>	\$ <u>46</u>	\$ <u>3,149</u>	\$ <u>2,173</u>	\$ <u>1,314</u>
Total	\$ <u><u>6,682</u></u>	\$ <u><u>46</u></u>	\$ <u><u>3,149</u></u>	\$ <u><u>2,173</u></u>	\$ <u><u>1,314</u></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. The System does not have formal investment policies related to foreign currency risk.

F. Fair Value

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

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

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

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

The System has the following fair value measurements as of December 31, 2018 (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>		
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments by fair value level:				
Corporate equities	\$ 25,820	\$ 25,820	\$ -	\$ -
Equity mutual funds	86,816	86,816	-	-
Fixed income mutual funds	6,682	-	6,682	-
Investments measured at the net asset value (NAV):				
External investment pools	<u>32,571</u>	-	-	-
Total	<u>\$ 151,889</u>			

<u>Investment Type</u>	<u>Amount</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
External investment pools	\$ 32,571	\$ -	Monthly	30 Days

7. Property Taxes and Excises 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.

The day after the final tax bill is due, 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.

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

Property taxes and excise receivables at June 30, 2019 consist of the following:

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long- Term Portion
Real estate taxes	\$ 456,630	\$ (68,501)	\$ 388,129	\$ -
Personal property taxes	348,150	(303,972)	44,178	-
Community preservation act	3,182	-	3,182	-
Tax liens	<u>289,235</u>	<u>(28,923)</u>	<u>-</u>	<u>260,312</u>
Total property taxes	<u>\$ 1,097,197</u>	<u>\$ (401,396)</u>	<u>\$ 435,489</u>	<u>\$ 260,312</u>
Motor vehicle excise	<u>\$ 525,458</u>	<u>\$ (255,439)</u>	<u>\$ 270,019</u>	
Total excises	<u>\$ 525,458</u>	<u>\$ (255,439)</u>	<u>\$ 270,019</u>	
Ambulance	\$ 273,937	\$ (96,296)	\$ 177,641	
Other	<u>46,429</u>	<u>(4,643)</u>	<u>41,786</u>	
Total departmental	<u>\$ 320,366</u>	<u>\$ (100,939)</u>	<u>\$ 219,427</u>	

8. User Fee Receivables

Receivables for user charges at June 30, 2019 consist of the following:

	<u>Gross</u> <u>Amount</u>	<u>Allowance</u> <u>for Doubtful</u> <u>Accounts</u>	<u>Net</u> <u>Amount</u>
Sewer	\$ 406,659	\$ (123,791)	\$ 282,868
Water	425,594	(132,386)	293,208
Cable	<u>490,330</u>	<u>(147,099)</u>	<u>343,231</u>
Total Governmental	1,322,583	(403,276)	919,307
Electric	<u>7,237,824</u>	<u>(639,708)</u>	<u>6,598,116</u>
Total Business-type	<u>7,237,824</u>	<u>(639,708)</u>	<u>6,598,116</u>
Total	<u>\$ 8,560,407</u>	<u>\$ (1,042,984)</u>	<u>\$ 7,517,423</u>

9. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2019.

10. Deposits Held by Others

Deposits held by others represents monies held by Energy New England required as part of the Light Department being a member.

11. Interfund Fund Transfers

The Town reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The transfer from the electric enterprise to the general fund of \$7,996,562 represents budgetary revenue and expense surpluses which are closed to the general fund annually. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. The following is an analysis of interfund transfers:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 8,801,562	\$ -
Nonmajor Funds:		
Special Revenue Funds	<u>-</u>	<u>805,000</u>
Subtotal Nonmajor Funds	-	805,000
<u>Business-Type Funds:</u>		
Electric fund	<u>-</u>	<u>7,996,562</u>
Subtotal Business-Type Funds	<u>-</u>	<u>7,996,562</u>
Grand Total	<u>\$ 8,801,562</u>	<u>\$ 8,801,562</u>

The Town's other routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.

12. Capital Assets

Capital asset activity for the year ended June 30, 2019 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	\$ 154,451	\$ 1,483	\$ -	\$ 155,934
Machinery, equipment, and furnishings	26,215	1,755	-	27,970
Infrastructure	<u>96,269</u>	<u>2,256</u>	<u>-</u>	<u>98,525</u>
Total capital assets, being depreciated	276,935	5,494	-	282,429
Less accumulated depreciation for:				
Buildings and improvements	(58,308)	(3,372)	-	(61,680)
Machinery, equipment, and furnishings	(19,473)	(1,741)	-	(21,214)
Infrastructure	<u>(59,796)</u>	<u>(2,063)</u>	<u>-</u>	<u>(61,859)</u>
Total accumulated depreciation	<u>(137,577)</u>	<u>(7,176)</u>	<u>-</u>	<u>(144,753)</u>
Total capital assets, being depreciated, net	139,358	(1,682)	-	137,676
Capital assets, not being depreciated:				
Land	14,630	106	-	14,736
Construction in progress	<u>20,651</u>	<u>807</u>	<u>-</u>	<u>21,458</u>
Total capital assets, not being depreciated	<u>35,281</u>	<u>913</u>	<u>-</u>	<u>36,194</u>
Governmental activities capital assets, net	<u>\$ 174,639</u>	<u>\$ (769)</u>	<u>\$ -</u>	<u>\$ 173,870</u>

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-Type Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 14,316	\$ -	\$ -	\$ 14,316
Machinery, equipment, and furnishings	5,945	169	-	6,114
Infrastructure	<u>57,075</u>	<u>1,646</u>	<u>-</u>	<u>58,721</u>
Total capital assets, being depreciated	77,336	1,815	-	79,151
Less accumulated depreciation for:				
Buildings and improvements	(4,271)	(363)	-	(4,634)
Machinery, equipment, and furnishings	(3,944)	(449)	-	(4,393)
Infrastructure	<u>(34,560)</u>	<u>(1,051)</u>	<u>-</u>	<u>(35,611)</u>
Total accumulated depreciation	<u>(42,775)</u>	<u>(1,863)</u>	<u>-</u>	<u>(44,638)</u>
Total capital assets, being depreciated, net	34,561	(48)	-	34,513
Capital assets, not being depreciated:				
Land	14	-	-	14
Construction in progress	<u>6,819</u>	<u>-</u>	<u>-</u>	<u>6,819</u>
Total capital assets, not being depreciated	<u>6,833</u>	<u>-</u>	<u>-</u>	<u>6,833</u>
Business-type activities capital assets, net	<u>\$ 41,394</u>	<u>\$ (48)</u>	<u>\$ -</u>	<u>\$ 41,346</u>

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

Governmental Activities	
General government	\$ 482
Public safety	850
Education	2,893
Public works	1,403
Human services	74
Culture and recreation	386
Water and sewer	<u>1,088</u>
Total governmental activities	<u>\$ 7,176</u>
Business-Type Activities	
Light	<u>\$ 1,863</u>
Total business-type activities	<u>\$ 1,863</u>

13. Deferred Outflows of Resources

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

pensions, in accordance with GASB Statement No. 68, are more fully discussed in the corresponding pension note.

14. Warrants Payable

Warrants payable represent 2019 expenditures paid by July 15, 2019.

15. 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.

16. Customer Deposits

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

17. Notes Payable

The Town had the following notes outstanding at June 30, 2019:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/19</u>
Land Acquisition	3.35%	12/20/18	12/19/19	\$ 13,000,000
Access Road Construction	3.25%	06/27/19	06/26/20	12,500,000
Dean Street Bridge Repair	3.25%	06/27/19	06/26/20	500,000
Total				<u>\$ 26,000,000</u>

The following summarizes activity in notes payable during fiscal year 2019:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
General Obligation	\$ 5,000,000	\$ -	\$ (5,000,000)	\$ -
General Obligation	10,763,400	-	(10,763,400)	-
MCWT CWP-15-08	414,356	-	(414,356)	-
Land Acquisition	-	13,000,000	-	13,000,000
Access Road Construction	-	12,500,000	-	12,500,000
Dean Street Bridge Repair	-	500,000	-	500,000
Total	<u>\$ 16,177,756</u>	<u>\$ 26,000,000</u>	<u>\$ (16,177,756)</u>	<u>\$ 26,000,000</u>

18. 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 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 6/30/19</u>
MWRA Water Bond	8/15/2019	0.000%	\$ 51,399
Broad Band Equipment Upgrade	10/15/2019	2.044%	70,000
GOB - Water Department Equipment	10/15/2019	1.909%	5,000
GOB - Fire Department Equipment	10/15/2019	1.948%	60,000
MWRA Water Bond 3/2/15	2/15/2020	0.000%	16,291
MWRA Water Bond 4/27/15	5/15/2020	0.000%	14,300
Water Pollution Abatement Trust (I)	6/30/2020	5.344%	55,000
Water Pollution Abatement Trust (I)	6/30/2020	5.350%	15,000
MWRA Water Bond	8/15/2020	0.000%	99,665
GOB - Landfill Closure (O) Refunding	1/15/2021	2.480%	170,000
General Obligation Bond	1/15/2021	2.445%	230,000
MWRA Water Bond	8/15/2021	0.000%	150,502
General Obligation Refunding 10/01/01	10/1/2021	2.802%	2,700,000
General Obligation 2012	1/15/2022	1.240%	425,000
General Obligation Refunding 3/29/2012	1/15/2022	1.570%	795,000
MWRA Water Bond	8/15/2022	0.000%	200,000
GOB - School Building Repairs	10/15/2022	2.540%	175,000
GOB - Police/Fire Building Repairs	10/15/2022	2.649%	85,000
GOB - Outdoor Recreational Facilities	10/15/2022	2.504%	105,000
MCWT Bond CWP-15-08A	7/15/2023	0.000%	414,356
MWRA 6/26/14	8/15/2023	0.000%	250,000
General Obligation Refunding 4/23/2015	8/15/2024	1.566%	1,222,000
MWRA Water Bond 8/25/14	8/15/2024	0.000%	300,000
MWRA Water Bond	8/15/2025	0.000%	350,000
MWRA Sewer Bond	8/7/2027	0.000%	531,000
MWRA Water Bond	8/7/2027	0.000%	450,000
MWRA Water Bond	6/30/2028	0.000%	400,000
MWRA Sewer Bond	6/30/2028	0.000%	94,347
MWRA Sewer Bond	8/15/2028	0.000%	1,654,200
GOB - High School Planning	8/15/2030	3.577%	255,000
MWPAT	1/15/2033	2.000%	1,189,950
MWPAT CW11-12	1/15/2033	2.000%	1,617,588
General Obligation Municipal 1/16/14	1/15/2034	2.988%	5,100,000
GOB - High School Construction	8/15/2034	3.830%	830,000
MCWT Bond CW-11-12A	1/15/2036	2.000%	96,469
MCWT Bond CWP-13-19	1/15/2036	2.000%	2,311,697
GOB - 7/28/16	6/30/2037	1.967%	27,762,000
MCWT CW15-08	6/30/2037	2.000%	2,031,347
General Obligation	1/15/2039	5.000%	4,140,000
General Obligation DPW Facility	6/15/2044	3.388%	5,250,000
Total Governmental Activities			<u>\$ 61,672,111</u>

<u>Business-Type Activities</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/19</u>
<u>Electric Light Enterprise</u>			
Electric Substation	1/15/2021	2.480%	\$ 1,190,000
GOB - Electric Judgment/Settlement	8/14/2024	3.095%	1,335,000
General Obligation Refunding 4/23/2015	8/15/2024	1.566%	17,448,000
GOB - Electric Light Dept. Expansion	10/15/2024	2.612%	1,800,000
GOB - Electric	8/15/2029	4.756%	9,900,000
GOB - 7/28/16	6/30/2037	2.000%	11,648,000
Total Business-Type Activities			<u>\$ 43,321,000</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2019 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 6,868,283	\$ 1,814,205	\$ 8,682,488
2021	6,279,191	1,588,455	7,867,646
2022	5,866,449	1,390,026	7,256,475
2023	4,151,123	1,225,556	5,376,679
2024	3,860,614	1,097,270	4,957,884
2025 - 2029	16,793,814	3,813,380	20,607,194
2030 - 2034	12,601,169	1,772,081	14,373,250
2035 - 2039	4,201,468	465,443	4,666,911
2040 - 2044	1,050,000	126,000	1,176,000
Total	<u>\$ 61,672,111</u>	<u>\$ 13,292,416</u>	<u>\$ 74,964,527</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, 2019.

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 7,519,000	\$ 1,636,182	\$ 9,155,182
2021	7,625,000	1,337,900	8,962,900
2022	7,237,000	1,025,670	8,262,670
2023	7,435,000	728,060	8,163,060
2024	2,770,000	518,645	3,288,645
2025 - 2029	7,630,000	1,297,232	8,927,232
2030 - 2034	2,475,000	225,983	2,700,983
2035 - 2037	630,000	18,900	648,900
Total	<u>\$ 43,321,000</u>	<u>\$ 6,788,572</u>	<u>\$ 50,109,572</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2019, the following changes occurred in long-term liabilities (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
Governmental Activities						
Bonds payable	\$ 61,865	\$ 6,208	\$ (6,401)	\$ 61,672	\$ (6,868)	\$ 54,804
Unamortized premium	436	-	(73)	363	(72)	291
Subtotal	62,301	6,208	(6,474)	62,035	(6,940)	55,095
Net pension liability	28,119	14,144	-	42,263	-	42,263
Net OPEB liability	147,156	-	(61,840)	85,316	-	85,316
Other:						
Landfill liability	220	-	(20)	200	(20)	180
Compensated absences	2,940	-	(116)	2,824	(141)	2,683
Subtotal - other	3,160	-	(136)	3,024	(161)	2,863
Totals	\$ 240,736	\$ 20,352	\$ (68,450)	\$ 192,638	\$ (7,101)	\$ 185,537
Business-Type Activities						
Bonds payable	\$ 50,709	\$ -	\$ (7,388)	\$ 43,321	\$ (7,519)	\$ 35,802
Unamortized premium	1,690	-	(127)	1,563	(127)	1,436
Subtotal	52,399	-	(7,515)	44,884	(7,646)	37,238
Net pension liability	1,325	666	-	1,991	-	1,991
Net OPEB liability	6,132	-	(2,112)	4,020	-	4,020
Other:						
Compensated absences	373	-	(6)	367	(19)	348
Subtotal - other	373	-	(6)	367	(19)	348
Totals	\$ 60,229	\$ 666	\$ (9,633)	\$ 51,262	\$ (7,665)	\$ 43,597

D. Long-Term Debt Supporting Governmental and Business-Type Activities

General obligation bonds, issued by the Town for various municipal projects are approved by Town Meeting and repaid with revenues recorded in the general fund and user fees recorded in enterprise funds. All other long-term debt is repaid from the funds that the cost relates to, primarily the general fund and enterprise fund.

E. Prior Year Advance Refunding

On July 28, 2016, the Town issued general obligation new money and refunding bonds in the amount of \$43,120,000 with various interest rates ranging from 2.00% to 4.00% to advance refund \$22,335,000 of serial bonds with interest rates ranging from 3.50% to 5.00%. The net proceeds from the issuance of the refunding 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 serial bonds were called on January 15, 2019 and August 15, 2019.

For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the Town's balance sheet. As of June 30, 2019, the amount of defeased debt outstanding but removed from the governmental activities and business-type activities was \$15,250,000 and \$6,650,000 respectively.

19. Landfill Closure and Postclosure Care Costs

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

The \$200,000 reported as landfill postclosure care liability at June 30, 2019 represents the remaining estimated postclosure maintenance costs. These amounts are based on what it would cost to perform all postclosure care in 2019. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

20. Deferred Inflows of Resources

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

21. 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, 2019:

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

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

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

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

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

Following is a breakdown of the Town's fund balances at June 30, 2019:

	General Fund	Forbes Land Acquisition Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 501,233	\$ 501,233
Total Nonexpendable	-	-	501,233	501,233
Restricted				
Capital project funds	-	-	5,380,715	5,380,715
Special revenue funds	-	-	5,503,383	5,503,383
Expendable permanent funds	-	-	517,320	517,320
Total Restricted	-	-	11,401,418	11,401,418
Committed				
DPW Stabilization fund	113,762	-	-	113,762
Community preservation fund	-	-	1,066,356	1,066,356
Total Committed	113,762	-	1,066,356	1,180,118
Assigned				
Encumbrances:				
General government	688,269	-	-	688,269
Public safety	285,257	-	-	285,257
Education	352,310	-	-	352,310
Public works	273,395	-	-	273,395
Broadband cable	63,054	-	-	63,054
Water and sewer	42,765	-	-	42,765
Health and human services	762,872	-	-	762,872
Culture and recreation	545,950	-	-	545,950
Employee benefits	70,842	-	-	70,842
Reserved for expenditures	1,801,190	-	-	1,801,190
Total Assigned	4,885,904	-	-	4,885,904
Unassigned				
General fund	4,557,025	-	-	4,557,025
General operating stabilization	5,226,583	-	-	5,226,583
Deficit capital project funds	-	(12,999,492)	(40,109)	(13,039,601)
Total Unassigned	9,783,608	(12,999,492)	(40,109)	(3,255,993)
Total Fund Balances	\$ 14,783,274	\$ (12,999,492)	\$ 12,928,898	\$ 14,712,680

22. 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	\$ 9,783,608
Stabilization fund	(5,226,583)
Tax refund estimate	<u>792,519</u>
Statutory (UMAS) Balance	<u>\$ 5,349,544</u>

23. Norwood Contributory Retirement System

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

A. Plan Description

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

Participant Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of 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 on or after

January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

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

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

Participant Retirement Benefits

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

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

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

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

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

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

Methods of Payment

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

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the members death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree’s beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member’s designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary predeceases the retiree, the benefit payable increases (or “pops up” to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary predeceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participant Refunds

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

Employer Contributions

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

The Town's contribution to the System for the year ended June 30, 2019 was \$4,839,431, which was equal to its annual required contribution.

B. Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from System's fiduciary net position have been determined on the same basis as they are reported by System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to Pensions

At June 30, 2019, the Town reported a liability of \$44,254,190 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the Town's proportion was 96.18%.

For the year ended June 30, 2019, the Town recognized pension expense of \$6,572,904. In addition, the Town reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	\$ 3,946,871	\$ -
Changes of assumptions	8,189	-
Net difference between projected and actual earnings on pension plan investments	7,863,186	-
Changes in proportion and differences between contributions and proportionate share of contributions	<u>50,645</u>	<u>(50,667)</u>
Total	<u>\$ 11,868,892</u>	<u>\$ (50,667)</u>

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:

2020	\$ 4,167,465
2021	1,751,207
2022	1,999,322
2023	<u>3,900,232</u>
Total	<u>\$ 11,818,225</u>

D. Actuarial Assumptions

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

Salary increases	3.00% per year
Investment rate of return	7.75%

Mortality rates were based assumptions that both pre-retirement mortality and beneficiary mortality is represented by the RP-2014 Blue Collar Mortality with Scale MP-2014, fully generational. Mortality for retired members for Group 1 and 2 is represented by the RP-2014 Blue Collar Mortality Table set forward five years for males and 3 years for females, fully generational. Mortality for retired members for Group 4 is represented by the RP-2014 Blue Collar Mortality Table set forward three years for males, and six years for females, fully generational. Mortality for

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

E. Target Allocations

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Investment Grade Bonds	7.00%	3.60%
TIPS	3.00%	3.30%
High Yield Bonds	4.00%	5.40%
Emerging Market Bonds (major)	2.50%	4.90%
Emerging Market Bonds (local)	2.50%	5.40%
US Equity	30.00%	7.30%
Developed Market Equity (non-US)	9.00%	7.10%
Emerging Market Equity	12.00%	9.40%
Private Equity	12.00%	8.90%
Core Private Real Estate	10.00%	5.50%
Natural Resources (public)	3.00%	7.20%
Core Private Infrastructure	5.00%	6.60%
Total	<u>100.00%</u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 7.75%. 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.

G. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

1% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
\$ 64,370,274	\$ 44,254,190	\$ 28,115,566

H. Pension Plan Fiduciary Net Position

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

24. 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) establish uniform benefit

and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last 5 years or any 5 consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service and group classification. The authority for amending these provisions rests with the Legislature.

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

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

C. Contributions

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

<u>Membership Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 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, 2018 measurement date was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018. This valuation used the following assumptions:

- (a) 7.35% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 per year.

- Salary increases are based on analyses of past experience but range from 4.00% to 7.50% depending on length of service.
- Experience study is dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011.
- Mortality rates were as follows:
 - Pre-retirement – reflects RP-2014 White Collar Employees table projected generationally with Scale MP-2016 (gender distinct).
 - Post-retirement – reflects RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).
 - Disability – assumed to be in accordance with the RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct).

E. Target Allocations

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund’s target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39.00%	5.00%
Portfolio completion strategies	13.00%	3.70%
Core fixed income	12.00%	0.90%
Private equity	12.00%	6.60%
Real estate	10.00%	3.80%
Value added fixed income	10.00%	3.80%
Timber/natural resources	4.00%	3.40%
Total	<u>100.00%</u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 7.35%. 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.

G. Sensitivity Analysis

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

1% Decrease to <u>6.35%</u>	Current Discount Rate <u>7.35%</u>	1% Increase to <u>8.35%</u>
\$ 29,482,300	\$ 23,711,289	\$ 18,771,300

H. 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.

I. Town Proportions

In fiscal year 2018 (the most recent measurement period), the Town’s proportionate share of the MTRS’ collective net pension liability was approximately \$93,693,283 based on a proportionate share of .395142%. As required by GASB 68, the Town has recognized its portion of the Commonwealth’s contribution of \$5,195,261 as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of \$9,494,458 as both a revenue and expense in the governmental activities.

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

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*, replaces the requirements of *Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This applies if a trust fund has been established to fund future OPEB costs. In fiscal year 2014, the

Town established an OPEB Trust Fund to provide funding for future employee health care costs.

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

All the following OPEB disclosures are based on a measurement date of June 30, 2019.

A. General Information about the OPEB Plan

Plan Description

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

Benefits Provided

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

Funding Policy

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

Plan Membership

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	938
Active employees	<u>904</u>
Total	<u><u>1,842</u></u>

B. Investments

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

Rate of return. For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was not available. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

C. Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	4.50%
Salary increases	4.50%, average, including inflation
Investment rate of return	7%, net of OPEB plan investment expense
Municipal bond rate	3.79%
Discount rate	7%
Healthcare cost trend rates	4.5% for 2019

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

D. Target Allocations

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019 are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	34%	7.92%
International Equity	23%	4.73%
Domestic Bond	20%	5.69%
Alternative	20%	5.50%
International Bond	3%	5.80%
Total	<u>100%</u>	

E. Discount Rate

The discount rate used to measure the net OPEB liability was 7%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Based on those assumptions, the OPEB plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

F. Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2019, were as follows:

Total OPEB liability	\$ 92,116,334
Plan fiduciary net position	<u>2,780,327</u>
Net OPEB liability	<u>\$ 89,336,007</u>

Plan fiduciary net position as a percentage of the total OPEB liability	3.02%
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The fiduciary net position has been determined on the same basis used by the OPEB Plan. For this purpose, the Plan recognizes benefit payments when due and payable.

G. Changes in the Net OPEB Liability

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 162,323,592	\$ 2,082,081	\$ 160,241,511
Changes for the year:			
Service cost	2,473,391	-	2,473,391
Interest	6,103,965	-	6,103,965
Contributions - employer	-	4,636,759	(4,636,759)
Net investment income	-	148,246	(148,246)
Differences between expected and actual experience	(39,595,772)	-	(39,595,772)
Changes in assumptions or other inputs	(35,102,083)	-	(35,102,083)
Benefit payments	<u>(4,086,759)</u>	<u>(4,086,759)</u>	<u>-</u>
Net Changes	<u>(70,207,258)</u>	<u>698,246</u>	<u>(70,905,504)</u>
Balances, end of year	<u>\$ 92,116,334</u>	<u>\$ 2,780,327</u>	<u>\$ 89,336,007</u>

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

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

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

1% Decrease <u>(6%)</u>	Current Discount Rate <u>(7%)</u>	1% Increase <u>(8%)</u>
\$ 100,964,361	\$ 89,336,007	\$ 79,679,217

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

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

1% <u>Decrease</u>	Current Healthcare Cost Trend Rates	1% <u>Increase</u>
\$ 77,571,768	\$ 89,336,007	\$ 103,891,736

J. OPEB Expense and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to OPEB

For the year ended June 30, 2019, the Town of Norwood recognized an OPEB expense of \$4,575,760. At June 30, 2019, the Town of Norwood reported deferred (inflows) of resources related to OPEB from the following sources:

	Deferred (Inflows) of <u>Resources</u>
Difference between expected and actual experience	\$ (32,685,515)
Change in assumptions	(28,976,065)
Net difference between projected and actual OPEB investment earnings	<u>(85,093)</u>
Total	<u>\$ (61,746,673)</u>

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

<u>Year Ended June 30:</u>	
2020	\$ (13,064,820)
2021	(13,064,818)
2022	(13,052,290)
2023	(13,048,265)
2024	<u>(9,516,480)</u>
Total	<u>\$ (61,746,673)</u>

26. Consolidation of Pension and OPEB Trust Funds

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

	Pension Trust Fund <u>(December 31, 2018)</u>	Other Post-Employment Benefits Trust <u>Fund</u>	Pension and OPEB Trust Funds
Assets			
Cash and short-term investments	\$ 2,233,067	\$ 4,344	\$ 2,237,411
Investments:			
Corporate equities	25,820,259	2,117,866	27,938,125
Equity mutual funds	86,815,601	658,117	87,473,718
External investment pool	32,571,255	-	32,571,255
Fixed income mutual funds	<u>6,682,007</u>	<u>-</u>	<u>6,682,007</u>
Total Investments	151,889,122	2,775,983	154,665,105
Accounts receivable	<u>28,476</u>	<u>-</u>	<u>28,476</u>
Total Assets	154,150,665	2,780,327	156,930,992
Liabilities			
Accounts payable	<u>112,599</u>	<u>-</u>	<u>112,599</u>
Total Liabilities	112,599	-	112,599
Net Position			
Restricted for pensions	154,038,066	-	154,038,066
Restricted for OPEB purposes	<u>-</u>	<u>2,780,327</u>	<u>2,780,327</u>
Total Net Position	<u>\$ 154,038,066</u>	<u>\$ 2,780,327</u>	<u>\$ 156,818,393</u>

	Pension Trust Fund (year ended <u>December 31, 2018</u>)	Other Post-Employment Benefits Trust <u>Fund</u>	Pension and OPEB <u>Trust Funds</u>
Additions			
Contributions:			
Employers	\$ 5,031,819	\$ 4,636,759	\$ 9,668,578
Plan members	3,548,434	-	3,548,434
Other systems and Commonwealth of Massachusetts	349,118	-	349,118
Other	<u>136,349</u>	<u>-</u>	<u>136,349</u>
Total contributions	9,065,720	4,636,759	13,702,479
Investment Income (Loss):			
Increase (decrease) in fair value of investments	(5,559,180)	52,082	(5,507,098)
Investment income	-	96,164	96,164
Less: management fees	<u>(1,131,326)</u>	<u>-</u>	<u>(1,131,326)</u>
Net investment income (loss)	<u>(6,690,506)</u>	<u>148,246</u>	<u>(6,542,260)</u>
Total additions	2,375,214	4,785,005	7,160,219
Deductions			
Benefit payments to plan members and beneficiaries	12,792,295	4,086,759	16,879,054
Refunds to plan members	58,676	-	58,676
Transfers to other systems	158,326	-	158,326
Administrative expenses	<u>282,963</u>	<u>-</u>	<u>282,963</u>
Total deductions	<u>13,292,260</u>	<u>4,086,759</u>	<u>17,379,019</u>
Net increase (decrease)	(10,917,046)	698,246	(10,218,800)
Net position restricted for pensions and OPEB purposes			
Beginning of year	<u>164,955,112</u>	<u>2,082,081</u>	<u>167,037,193</u>
End of year	<u>\$ 154,038,066</u>	<u>\$ 2,780,327</u>	<u>\$ 156,818,393</u>

27. Subsequent Events

Debt

Subsequent to June 30, 2019, the Town has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Bond anticipation note	\$ 13,000,000	2.10%	12/19/2019	12/17/2020

28. 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.

Encumbrances – At year-end the Town’s general fund has \$3,084,714 in encumbrances that will be honored in the next fiscal year.

29. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*, effective for the Town beginning with its fiscal year ending June 30, 2020. This statement establishes guidance on how to address the categorization of fiduciary activities for financial reporting and how fiduciary activities are to be reported, and may require reclassification of certain funds.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the Town beginning with its fiscal year ending June 30, 2021. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

TOWN OF NORWOOD, MASSACHUSETTS
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY (GASB 68)

JUNE 30, 2019
 (Unaudited)

Norwood Contributory Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2019	January 1, 2018	96.1800%	\$44,254,190	\$ 33,692,365	131.35%	77.00%
June 30, 2018	January 1, 2017	96.2100%	\$29,443,830	\$ 32,533,010	90.50%	84.40%
June 30, 2017	January 1, 2016	96.0200%	\$39,890,573	\$ 30,959,423	128.85%	77.50%
June 30, 2016	January 1, 2015	96.0170%	\$43,181,633	\$ 29,768,676	145.06%	75.00%
June 30, 2015	January 1, 2014	96.4612%	\$33,824,919	\$ 28,082,402	120.45%	79.80%

Massachusetts Teachers' Retirement System

Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated with the Town	Total Net Pension Liability Associated with the Town	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2019	June 30, 2018	0.39514%	\$ -	\$ 93,693,283	\$ 93,693,283	\$ 27,750,293	-	54.84%
June 30, 2018	June 30, 2017	0.39883%	\$ -	\$ 91,274,008	\$ 91,274,008	\$ 27,082,491	-	54.25%
June 30, 2017	June 30, 2016	0.39793%	\$ -	\$ 88,969,401	\$ 88,969,401	\$ 26,174,594	-	52.73%
June 30, 2016	June 30, 2015	0.39829%	\$ -	\$ 81,608,139	\$ 81,608,139	\$ 25,247,157	-	55.38%
June 30, 2015	June 30, 2014	0.39829%	\$ -	\$ 63,449,721	\$ 63,449,721	\$ 24,473,613	-	61.64%

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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

JUNE 30, 2019
(Unaudited)

Norwood Contributory Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2019	January 1, 2018	\$ 4,839,431	\$ 4,839,431	\$ -	\$ 33,692,365	14.36%
June 30, 2018	January 1, 2017	\$ 4,847,339	\$ 4,847,339	\$ -	\$ 32,533,010	14.90%
June 30, 2017	January 1, 2016	\$ 4,370,134	\$ 4,370,134	\$ -	\$ 30,959,423	14.12%
June 30, 2016	January 1, 2015	\$ 4,055,016	\$ 4,055,016	\$ -	\$ 29,768,676	13.62%
June 30, 2015	January 1, 2014	\$ 3,764,002	\$ 3,764,002	\$ -	\$ 28,082,402	13.40%

Massachusetts Teachers' Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution Provided by Commonwealth</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2019	June 30, 2018	\$ 5,195,261	\$ 5,195,261	\$ -	\$ 27,750,293	18.72%
June 30, 2018	June 30, 2017	\$ 4,927,615	\$ 4,927,615	\$ -	\$ 27,082,491	18.19%
June 30, 2017	June 30, 2016	\$ 4,475,078	\$ 4,475,078	\$ -	\$ 26,174,594	17.10%
June 30, 2016	June 30, 2015	\$ 4,070,242	\$ 4,070,242	\$ -	\$ 25,247,157	16.12%
June 30, 2015	June 30, 2014	\$ 3,741,515	\$ 3,741,515	\$ -	\$ 24,473,613	15.29%

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
OTHER POST-EMPLOYMENT BENEFITS (OPEB)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NT OPEB LIABILITY (GASB 74 AND 75)

(Unaudited)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability			
Service cost	\$ 2,473,391	\$ 6,107,954	\$ 5,844,932
Interest on unfunded liability - time value of \$	6,103,965	5,953,172	5,680,679
Differences between expected and actual experience	(39,595,772)	-	-
Changes of assumptions	(35,102,083)	-	-
Benefit payments, including refunds of member contributions	<u>(4,086,759)</u>	<u>(4,718,245)</u>	<u>(4,329,657)</u>
Net change in total OPEB liability	(70,207,258)	7,342,881	7,195,954
Total OPEB liability - beginning	<u>162,323,592</u>	<u>154,980,711</u>	<u>147,784,757</u>
Total OPEB liability - ending (a)	92,116,334	162,323,592	154,980,711
Plan Fiduciary Net Position			
Contributions - employer	4,636,759	5,018,245	4,679,657
Net investment income	148,246	89,182	115,189
Benefit payments, including refunds of member contributions	<u>(4,086,759)</u>	<u>(4,718,245)</u>	<u>(4,329,657)</u>
Net change in plan fiduciary net position	698,246	389,182	465,189
Plan fiduciary net position - beginning	<u>2,082,081</u>	<u>1,692,899</u>	<u>1,227,710</u>
Plan fiduciary net position - ending (b)	<u>2,780,327</u>	<u>2,082,081</u>	<u>1,692,899</u>
Net OPEB liability (asset) - ending (a-b)	<u>\$ 89,336,007</u>	<u>\$ 160,241,511</u>	<u>\$ 153,287,812</u>

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

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

See Independent Auditors' Report.

TOWN OF NORWOOD, MASSACHUSETTS
OTHER POST-EMPLOYMENT BENEFITS (OPEB)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF NET OPEB LIABILITY, CONTRIBUTIONS, AND INVESTMENT RETURNS (GASB 74 AND 75)

(Unaudited)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Net OPEB Liability			
Total OPEB liability	\$ 92,116,334	\$ 162,323,592	\$ 154,980,711
Plan fiduciary net position	<u>2,780,327</u>	<u>2,082,081</u>	<u>1,692,899</u>
Net OPEB liability (asset)	<u>\$ 89,336,007</u>	<u>\$ 160,241,511</u>	<u>\$ 153,287,812</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 3.0%	 1.3%	 1.1%

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Contributions			
Actuarially determined contribution*	\$ 4,636,759	\$ 5,018,245	\$ 4,679,657
Contributions in relation to the actuarially determined contribution	<u>4,636,759</u>	<u>5,031,819</u>	<u>4,636,759</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (13,574)</u>	<u>\$ 42,898</u>

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Schedule of Investment Returns			
Annual money weighted rate of return, net of investment expense	Unavailable	Unavailable	Unavailable

*Includes only the implicit subsidy, which is required to be funded by statute, and not an amount required to fully fund the plan over time.

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