



TOWN OF NORWOOD, MASSACHUSETTS

Financial Statements
For the Year Ended June 30, 2020

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Norwood, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Norwood, Massachusetts (the Town), as of and for the year ended June 30, 2020, (except for the Town of Norwood, Massachusetts' Contributory Retirement System which is as of and for the year ended December 31, 2019) 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 Town'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, 2020, (except for the Town of Norwood, Massachusetts' Contributory Retirement System which is as of and for the year ended December 31, 2019) and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2021 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

Andover, Massachusetts
March 4, 2021



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, 2020.

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 required/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.

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.

Required/other supplementary information (other than MD&A)

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

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$(29,431,298), a change of \$20,918,176, partly driven by a change in OPEB assumptions. Net position in business-type activities was \$12,947,241, a change of \$8,180,633, primarily because bond debt service payments continued to exceed depreciation expense.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$23,873,258, a change of \$9,160,578 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$16,881,980, a change of \$7,098,372 in comparison to the prior year. Included in the \$16,881,980 is the stabilization fund's balance of \$5,895,291.

Government-Wide Financial Analysis

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

	NET POSITION (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 54,567	\$ 40,262	\$ 27,338	\$ 29,018	\$ 81,905	\$ 69,280
Capital assets	<u>171,184</u>	<u>173,870</u>	<u>53,518</u>	<u>47,897</u>	<u>224,702</u>	<u>221,767</u>
Total assets	225,751	214,132	80,856	76,915	306,607	291,047
Deferred outflows of resources	12,181	11,335	574	534	12,755	11,869
Long-term liabilities outstanding	183,213	192,638	56,047	51,262	239,260	243,900
Other liabilities	<u>29,273</u>	<u>24,162</u>	<u>9,850</u>	<u>18,639</u>	<u>39,123</u>	<u>42,801</u>
Total liabilities	212,486	216,800	65,897	69,901	278,383	286,701
Deferred inflows of resources	54,877	59,016	2,586	2,781	57,463	61,797
Net investment in capital assets	105,084	104,709	20,313	17,599	125,397	122,308
Restricted	12,006	7,433	-	-	12,006	7,433
Unrestricted	<u>(146,521)</u>	<u>(162,491)</u>	<u>(7,366)</u>	<u>(12,832)</u>	<u>(153,887)</u>	<u>(175,323)</u>
Total net position	\$ <u>(29,431)</u>	\$ <u>(50,349)</u>	\$ <u>12,947</u>	\$ <u>4,767</u>	\$ <u>(16,484)</u>	\$ <u>(45,582)</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 \$(16,484,057), a change of \$29,098,809 in comparison to the prior year.

The largest portion of net position \$125,396,769 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 \$12,006,042 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 \$(153,886,868) primarily resulting from unfunded pension and OPEB liabilities.

CHANGES IN NET POSITION (in thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 32,829	\$ 32,061	\$ 61,816	\$ 61,483	\$ 94,645	\$ 93,544
Operating grants and contributions	30,288	26,544	-	-	30,288	26,544
Capital grants and contributions	1,055	89	-	-	1,055	89
General revenues:						
Property taxes	84,269	75,762	-	-	84,269	75,762
Excises	4,828	4,899	-	-	4,828	4,899
Penalties and interest on taxes	2,069	2,327	-	-	2,069	2,327
Grants and contributions not restricted to specific programs	4,939	5,537	-	-	4,939	5,537
Investment income	515	718	435	881	950	1,599
Other	852	1,807	72	61	924	1,868
Total revenues	<u>161,644</u>	<u>149,744</u>	<u>62,323</u>	<u>62,425</u>	<u>223,967</u>	<u>212,169</u>
Expenses:						
General government	9,400	14,933	-	-	9,400	14,933
Public safety	25,609	29,526	-	-	25,609	29,526
Education	70,910	65,174	-	-	70,910	65,174
Public works	17,006	10,666	-	-	17,006	10,666
Water and sewer	12,602	13,290	-	-	12,602	13,290
Broadband cable	6,176	6,337	-	-	6,176	6,337
Health and human services	2,453	2,318	-	-	2,453	2,318
Culture and recreation	4,183	4,883	-	-	4,183	4,883
Interest on long-term debt	1,899	2,093	-	-	1,899	2,093
Intergovernmental	2,196	2,041	-	-	2,196	2,041
Electric	-	-	42,435	44,152	42,435	44,152
Total expenses	<u>152,434</u>	<u>151,261</u>	<u>42,435</u>	<u>44,152</u>	<u>194,869</u>	<u>195,413</u>
Change in net position before transfers	9,210	(1,517)	19,888	18,273	29,098	16,756
Transfers in (out)	<u>11,708</u>	<u>7,997</u>	<u>(11,708)</u>	<u>(7,997)</u>	<u>-</u>	<u>-</u>
Change in net position	20,918	6,480	8,180	10,276	29,098	16,756
Net position - beginning of year, as restated	<u>(50,349)</u>	<u>(56,829)</u>	<u>4,767</u>	<u>(5,509)</u>	<u>(45,582)</u>	<u>(62,338)</u>
Net position - end of year	<u>\$ (29,431)</u>	<u>\$ (50,349)</u>	<u>\$ 12,947</u>	<u>\$ 4,767</u>	<u>\$ (16,484)</u>	<u>\$ (45,582)</u>

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$20,918,176. Key elements of this change are as follows:

General fund operations	\$	7,288,189
Capital assets financed with current year revenues		4,646,196
Change in OPEB expense from GASB 75		8,625,127
Other		<u>358,664</u>
Total	\$	<u><u>20,918,176</u></u>

Business-Type Activities

Business-type (electric) activities for the year resulted in a change in net position of \$8,180,633, primarily because bond debt service payments continued to exceed depreciation expense.

Financial Analysis of the Town’s Funds

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

General Fund

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$16,881,980 while total fund balance was \$22,071,463. The unassigned fund balance increased by \$7,098,372 from positive budgetary results as shown on page 65.

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>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>	<u>% of General Fund Expenditures*</u>
Unassigned fund balance	\$ 16,881,980	\$ 9,783,608	\$ 7,098,372	12.3%
Total fund balance	\$ 22,071,463	\$ 14,783,274	\$ 7,288,189	16.1%

*Expenditure amounts used to calculate the above percentages have been adjusted to exclude the on-behalf payment from the Commonwealth to the Massachusetts Teachers Retirement System of \$5,795,733.

The total fund balance of the general fund changed by \$7,288,189 during the current fiscal year. Key factors in this change are as follows:

Surplus of state and local revenues over budget	\$ 408,852
Budgetary appropriation surplus	2,948,398
Other financing sources/uses	3,714,591
Use of free cash and overlay surplus as a funding source	(1,300,190)
Change in stabilization balance	1,993,340
Other	<u>(476,802)</u>
Total	<u>\$ 7,288,189</u>

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

	<u>6/30/20</u>	<u>6/30/19</u>	<u>Change</u>
General stabilization	\$ 5,895,291	\$ 5,226,583	\$ 668,708
DPW stabilization	<u>1,438,394</u>	<u>113,762</u>	<u>1,324,632</u>
Total	<u>\$ 7,333,685</u>	<u>\$ 5,340,345</u>	<u>\$ 1,993,340</u>

Other Major Funds

The capital project major fund includes various capital projects, primarily the Forbes Land purchase scheduled to close in FY21, temporarily financed by notes payable.

Non-Major Governmental Funds

The non-major fund balance changed by \$953,288 primarily from timing differences between the receipt and disbursement of grants and permanent financing of capital projects.

Proprietary Funds

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$(7,365,985), a change of \$5,465,396 in comparison to the prior year.

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

General Fund Budgetary Highlights

In total, there is no overall change between the original budget and the final amended budget. A reclassification was made to use \$304,000 of free cash for school capital projects.

Capital Asset and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$224,701,757 (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:

- \$6,460,403 – Transmission line reconstruction

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 \$105,946,070, 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'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, 2020

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 43,649,427	\$ 10,417,647	\$ 54,067,074
Investments	8,123,194	4,500,276	12,623,470
Receivables, net of allowance for uncollectibles:			
Property taxes	997,371	-	997,371
Excises	429,446	-	429,446
User fees	1,018,005	6,826,038	7,844,043
Intergovernmental	122,309	-	122,309
Deposits held by others	-	5,594,787	5,594,787
Total Current Assets	54,339,752	27,338,748	81,678,500
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	227,055	-	227,055
Capital assets:			
Land and construction in progress	18,504,027	13,517,534	32,021,561
Other capital assets, net of accumulated depreciation	152,679,804	40,000,392	192,680,196
Total Noncurrent Assets	171,410,886	53,517,926	224,928,812
Total Assets	225,750,638	80,856,674	306,607,312
Deferred Outflows of Resources			
Related to pensions	12,158,601	572,918	12,731,519
Related to OPEB	22,391	1,055	23,446
Total Deferred Outflows of Resources	12,180,992	573,973	12,754,965

(continued)

TOWN OF NORWOOD, MASSACHUSETTS

Statement of Net Position
June 30, 2020

(continued)	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Liabilities			
Current:			
Warrants payable	1,279,203	3,484,443	4,763,646
Accrued liabilities	5,327,678	1,272,114	6,599,792
Tax refunds payable	104,449	-	104,449
Customer deposits and reserves	-	5,093,830	5,093,830
Notes payable	20,221,000	-	20,221,000
Other current liabilities	2,339,955	-	2,339,955
Current portion of long-term liabilities:			
Bonds payable	6,439,845	8,383,950	14,823,795
Landfill	20,000	-	20,000
Compensated absences	148,269	19,252	167,521
Total Current Liabilities	<u>35,880,399</u>	<u>18,253,589</u>	<u>54,133,988</u>
Noncurrent:			
Bonds payable, net of current portion	49,684,364	41,437,911	91,122,275
Net pension liability	34,700,228	1,635,089	36,335,317
Net OPEB liability	89,244,058	4,205,217	93,449,275
Landfill, net of current portion	160,000	-	160,000
Compensated absences, net of current portion	2,817,114	365,784	3,182,898
Total Noncurrent Liabilities	<u>176,605,764</u>	<u>47,644,001</u>	<u>224,249,765</u>
Total Liabilities	212,486,163	65,897,590	278,383,753
Deferred Inflows of Resources			
Related to pensions	8,439,599	397,677	8,837,276
Related to OPEB	46,437,166	2,188,139	48,625,305
Total Deferred Inflows of Resources	54,876,765	2,585,816	57,462,581
Net Position			
Net investment in capital assets	105,083,543	20,313,226	125,396,769
Restricted for:			
Grants and other statutory restrictions	11,048,795	-	11,048,795
Permanent funds:			
Nonexpendable	515,573	-	515,573
Expendable	441,674	-	441,674
Unrestricted	<u>(146,520,883)</u>	<u>(7,365,985)</u>	<u>(153,886,868)</u>
Total Net Position	<u>\$ (29,431,298)</u>	<u>\$ 12,947,241</u>	<u>\$ (16,484,057)</u>

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

TOWN OF NORWOOD, MASSACHUSETTS

Governmental Funds
Balance Sheet
June 30, 2020

	<u>General Fund</u>	<u>Major Capital Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and short-term investments	\$ 21,908,256	\$ 4,744,497	\$ 16,996,674	\$ 43,649,427
Investments	7,333,685	-	789,509	8,123,194
Receivables:				
Property taxes	1,542,637	-	8,176	1,550,813
Excises	702,337	-	-	702,337
User fees	1,501,698	-	-	1,501,698
Departmental and other	22,159	-	-	22,159
Intergovernmental	-	-	122,309	122,309
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ <u>33,010,772</u>	\$ <u>4,744,497</u>	\$ <u>17,916,668</u>	\$ <u>55,671,937</u>
Liabilities				
Warrants payable	\$ 649,008	\$ 504,888	\$ 125,307	\$ 1,279,203
Accrued liabilities	4,743,708	-	-	4,743,708
Tax refunds payable	104,449	-	-	104,449
Notes payable	-	16,320,000	3,901,000	20,221,000
Other liabilities	<u>2,339,955</u>	<u> </u>	<u> </u>	<u>2,339,955</u>
Total Liabilities	7,837,120	16,824,888	4,026,307	28,688,315
Deferred Inflows of Resources				
Unavailable revenues	3,102,189	-	8,175	3,110,364
Fund Balances				
Nonspendable	-	-	515,573	515,573
Restricted	-	1,027,558	15,175,645	16,203,203
Committed	1,438,394	-	-	1,438,394
Assigned	3,751,089	-	-	3,751,089
Unassigned	<u>16,881,980</u>	<u>(13,107,949)</u>	<u>(1,809,032)</u>	<u>1,964,999</u>
Total Fund Balances	<u>22,071,463</u>	<u>(12,080,391)</u>	<u>13,882,186</u>	<u>23,873,258</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ <u>33,010,772</u>	\$ <u>4,744,497</u>	\$ <u>17,916,668</u>	\$ <u>55,671,937</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, 2020

Total governmental fund balances	\$ 23,873,258
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	171,183,831
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	2,005,234
<ul style="list-style-type: none">• 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.	(225,909,651)
<ul style="list-style-type: none">• Other	<u>(583,970)</u>
Net position of governmental activities	<u><u>\$ (29,431,298)</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, 2020

	General Fund	Major Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 83,599,812	\$ -	\$ 727,264	\$ 84,327,076
Excises	4,668,131	-	-	4,668,131
User fees	15,955,628	-	-	15,955,628
Penalties, interest and other taxes	2,068,668	-	-	2,068,668
Charges for services	9,884,218	-	4,105,956	13,990,174
Intergovernmental	19,493,066	-	9,717,994	29,211,060
Licenses and permits	2,957,875	-	-	2,957,875
Investment income	420,911	-	94,019	514,930
Miscellaneous	40,880	625,000	757,817	1,423,697
	<u>139,089,189</u>	<u>625,000</u>	<u>15,403,050</u>	<u>155,117,239</u>
Total Revenues				
Expenditures				
Current:				
General government	5,687,878	56,731	1,760,516	7,505,125
Public safety	16,728,782	4,888	1,104,178	17,837,848
Education	56,058,405	-	5,814,482	61,872,887
Public works	7,759,978	257,886	5,932,381	13,950,245
Broadband cable	6,175,654	-	-	6,175,654
Water and sewer	12,601,601	-	-	12,601,601
Health and human services	1,418,890	-	417,678	1,836,568
Culture and recreation	3,296,382	-	524,649	3,821,031
Employee benefits	22,086,280	-	-	22,086,280
Debt service:				
Principal	6,868,280	-	-	6,868,280
Interest	2,024,390	-	-	2,024,390
Intergovernmental	2,195,980	-	-	2,195,980
	<u>142,902,500</u>	<u>319,505</u>	<u>15,553,884</u>	<u>158,775,889</u>
Total Expenditures				
Excess of revenues over expenditures	(3,813,311)	305,495	(150,834)	(3,658,650)
Other Financing Sources (Uses)				
Issuance of bonds	-	400,000	629,600	1,029,600
Bond premium	-	81,606	-	81,606
Transfers in	11,800,186	132,000	498,000	12,430,186
Transfers out	(698,686)	-	(23,478)	(722,164)
	<u>11,101,500</u>	<u>613,606</u>	<u>1,104,122</u>	<u>12,819,228</u>
Total Other Financing Sources (Uses)				
Excess of revenues and other sources over expenditures and other uses	7,288,189	919,101	953,288	9,160,578
Fund Balance, at Beginning of Year	<u>14,783,274</u>	<u>(12,999,492)</u>	<u>12,928,898</u>	<u>14,712,680</u>
Fund Balance, at End of Year	<u>\$ 22,071,463</u>	<u>\$ (12,080,391)</u>	<u>\$ 13,882,186</u>	<u>\$ 23,873,258</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, 2020

Net changes in fund balances - total governmental funds	\$	9,160,578																											
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;">Capital outlay</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">4,646,196</td> </tr> <tr> <td>Net effect on disposal of assets</td> <td></td> <td style="text-align: right;">(15,216)</td> </tr> <tr> <td>Depreciation</td> <td></td> <td style="text-align: right;">(7,317,298)</td> </tr> </table> • 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: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;">Issuance of debt</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">(1,029,600)</td> </tr> <tr> <td>Repayments of debt</td> <td></td> <td style="text-align: right;">6,868,283</td> </tr> </table> • Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue. <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;"></td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">(19,319)</td> </tr> </table> • Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;">Change in pension expense from GASB 68</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">(4,880)</td> </tr> <tr> <td>Change in OPEB expense from GASB 75</td> <td></td> <td style="text-align: right;">8,625,127</td> </tr> </table> • Other <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;"></td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">4,305</td> </tr> </table> 			Capital outlay		4,646,196	Net effect on disposal of assets		(15,216)	Depreciation		(7,317,298)	Issuance of debt		(1,029,600)	Repayments of debt		6,868,283			(19,319)	Change in pension expense from GASB 68		(4,880)	Change in OPEB expense from GASB 75		8,625,127			4,305
Capital outlay		4,646,196																											
Net effect on disposal of assets		(15,216)																											
Depreciation		(7,317,298)																											
Issuance of debt		(1,029,600)																											
Repayments of debt		6,868,283																											
		(19,319)																											
Change in pension expense from GASB 68		(4,880)																											
Change in OPEB expense from GASB 75		8,625,127																											
		4,305																											
Change in net position of governmental activities	\$	<u>20,918,176</u>																											

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

TOWN OF NORWOOD, MASSACHUSETTS

Proprietary Funds
Statement of Net Position
June 30, 2020

	Business-Type Activities <u>Enterprise Funds</u> Electric Light <u>Fund</u>
Assets	
Current:	
Cash and short-term investments	\$ 10,417,647
Investments	4,500,276
Accounts receivable	6,826,038
Deposits held by others	<u>5,594,787</u>
Total Current Assets	27,338,748
Noncurrent:	
Capital Assets	
Land and construction in progress	13,517,534
Other capital assets, net of accumulated depreciation	<u>40,000,392</u>
Total Noncurrent Assets	<u>53,517,926</u>
Total Assets	80,856,674
Deferred Outflows of Resources	
Related to pensions	572,918
Related to OPEB	<u>1,055</u>
Total Deferred Outflows of Resources	573,973
Liabilities	
Current:	
Warrants payable	3,484,443
Accrued liabilities	1,272,114
Customer deposits and reserves	5,093,830
Current portion of long-term liabilities:	
Bonds payable	8,383,950
Compensated absences	<u>19,252</u>
Total Current Liabilities	18,253,589
Noncurrent:	
Bonds payable, net of current portion	41,437,911
Net pension liability	1,635,089
Net OPEB liability	4,205,217
Compensated absences, net of current portion	<u>365,784</u>
Total Noncurrent Liabilities	47,644,001
Total Liabilities	65,897,590
Deferred Inflows of Resources	
Related to pensions	397,677
Related to OPEB	<u>2,188,139</u>
Total Deferred Inflows of Resources	2,585,816
Net Position	
Net investment in capital assets	20,313,226
Unrestricted	<u>(7,365,985)</u>
Total Net Position	<u>\$ 12,947,241</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, 2020

	Business-Type Activities <u>Enterprise Funds</u> Electric Light <u>Fund</u>
Operating Revenues	
Charges for services	\$ 61,816,205
Other	<u>71,811</u>
Total Operating Revenues	61,888,016
Operating Expenses	
Salaries and benefits	3,920,215
Purchase power	30,092,709
Other operating expenses	3,761,097
Administrative costs	762,406
Depreciation	<u>1,913,244</u>
Total Operating Expenses	<u>40,449,671</u>
Operating Income	21,438,345
Nonoperating Revenues (Expenses)	
Interest expense	(1,984,443)
Investment income	<u>434,753</u>
Total Nonoperating Revenues (Expenses), Net	<u>(1,549,690)</u>
Income Before Transfers	19,888,655
Transfers out	<u>(11,708,022)</u>
Change in Net Position	8,180,633
Net Position, Beginning of Year, as restated	<u>4,766,608</u>
Net Position, End of Year	<u>\$ 12,947,241</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, 2020

	Business-Type Activities <u>Enterprise Funds</u> Electric Light Fund
Cash Flows From Operating Activities	
Receipts from customers and users	\$ 61,660,094
Customer deposits	504,368
Payments to employees	(4,308,070)
Payments to vendors	<u>(31,995,622)</u>
Net Cash Provided By Operating Activities	25,860,770
Cash Flows From Noncapital Financing Activities	
Transfers out	<u>(11,708,022)</u>
Net Cash (Used For) Noncapital Financing Activities	(11,708,022)
Cash Flows From Capital and Related Financing Activities	
Proceeds of bond premiums	1,434,043
Acquisition and construction of capital assets	(7,534,841)
Principal payments on bonds	(7,519,000)
Principal payments on notes	(1,350,000)
Interest expense	<u>(2,165,894)</u>
Net Cash (Used for) Capital and Related Financing Activities	(17,135,692)
Cash Flows From Investing Activities	
Investment income	434,753
Purchase of investments	<u>(129,918)</u>
Net Cash Provided By Investing Activities	<u>304,835</u>
Net Change in Cash and Short-Term Investments	(2,678,109)
Cash and Short-Term Investments, Beginning of Year	<u>13,095,756</u>
Cash and Short-Term Investments, End of Year	<u>\$ 10,417,647</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 21,438,345
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,913,244
Changes in assets, liabilities, and deferred outflows/inflows:	
User fees	(227,922)
Other assets	(641,100)
Customer deposits	504,368
Deferred outflows - related to pensions	(38,818)
Deferred outflows - related to OPEB	(1,055)
Warrants and accounts payable	2,287,526
Accrued liabilities	974,164
Net pension liability	(356,350)
Net OPEB liability	185,097
Deferred inflows - related to pensions	395,397
Deferred inflows - related to OPEB	(590,461)
Other liabilities	<u>18,335</u>
Net Cash Provided By Operating Activities	<u>\$ 25,860,770</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, 2020

	Pension and OPEB <u>Trust Funds</u>	Agency <u>Funds</u>
Assets		
Cash and short-term investments	\$ 1,446,935	\$ 188,151
Investments:		
Corporate equities	32,676,967	-
Equity mutual funds	108,255,069	-
External investment pool	34,329,086	-
Fixed income mutual funds	<u>5,879,177</u>	<u>-</u>
Total Investments	181,140,299	-
Accounts receivable	<u>125,850</u>	<u>151,594</u>
Total Assets	182,713,084	\$ <u><u>339,745</u></u>
 Liabilities		
Warrants payable	-	12
Accounts payable	222,848	-
Other liabilities	<u>150,000</u>	<u>339,733</u>
Total Liabilities	<u>372,848</u>	\$ <u><u>339,745</u></u>
 Net Position		
Restricted for pensions	179,219,137	
Restricted for OPEB purposes	<u>3,121,099</u>	
	\$ <u><u>182,340,236</u></u>	

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

TOWN OF NORWOOD, MASSACHUSETTS

Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2020

	<u>Pension and OPEB Trust Funds</u>
Additions	
Contributions:	
Employers	\$ 9,994,468
Plan members	3,683,874
Other systems and Commonwealth of Massachusetts	404,535
Other	<u>2,221</u>
Total contributions	14,085,098
Investment Income:	
Increase in fair value of investments	31,026,021
Less: management fees	<u>(1,249,670)</u>
Net investment income	<u>29,776,351</u>
Total additions	43,861,449
Deductions	
Benefit payments to plan members and beneficiaries	17,800,177
Refunds to plan members	105,896
Transfers to other systems	218,339
Administrative expenses	<u>215,194</u>
Total deductions	<u>18,339,606</u>
Net increase	25,521,843
Net position restricted for pensions and other purposes	
Beginning of year	<u>156,818,393</u>
End of year	<u>\$ 182,340,236</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:

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.

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

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

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

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are 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 *major capital project fund* is the Town's capital project fund containing various projects including 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.

Cash and Investments

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

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

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

Investments, generally, are presented at fair value. Where applicable, fair values are based on quotations from national securities exchanges, except for certain investments that are required to be presented using the net asset value (NAV). The NAV per share is the amount of net assets attributable to each share 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 Town's investments in the Massachusetts Municipal Depository Trust (MMDT) Cash Portfolio, an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts. This cash portfolio meets the requirements of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and investments are valued at amortized cost.

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

Property Tax Limitations

Legislation known as "Proposition 2½" has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5% (excluding new growth), unless an override is voted. The actual fiscal year 2020 tax levy reflected an excess capacity of \$917,635. Certain provisions of Proposition 2 ½ can be overridden by a referendum.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$25,000 and an estimated useful life in excess of 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.

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

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

Compensated Absences

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

Long-Term Obligations

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

Fund Equity

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

Fund Balance

Generally, fund balance represents the difference between 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.

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

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.

Deficit Fund Equity

Certain individual funds reflected deficit balances as of June 30, 2020.

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

3. Deposits and Investments

Town (Excluding the Pension and OPEB Trust Funds)

State statutes (MGL Chapter 44, Section 55) place certain limitation on the nature of deposits and investments available to the City/Town/District. Deposits, including demand deposits, money markets, certificates of deposits in any one financial institution, may not exceed 60% of the capital and surplus of such institution unless collateralized by the institution involved. Investments may be made in unconditionally guaranteed U.S. government obligations have maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consists of such obligations. Other allowable investments include certificates of deposits having a maturity date of up to 3 years from the date of purchase, national banks and Massachusetts Municipal Depository Trust (MMDT). MMDT, which is an external investment pool overseen by the Treasurer of the Commonwealth of Massachusetts, meets the criteria established by GASB 79, *Certain External Investment Pools and Pool Participants*, to report its investments at amortized cost, which approximates the net asset value of 1.00 per share. MMDT has a maturity of less than 1 year and is not rated or subject to custodial credit risk disclosure. MGL Chapter 44, Section 54 provides additional investment options for certain special revenue, trust and OPEB funds.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of bank failure, the Town’s deposits may not be returned. The Town does not have formal deposit policies related to the custodial credit risk of deposits.

As of June 30, 2020, \$41,185,571 of the Town’s bank balance of \$55,933,277 was exposed to custodial credit risk as uninsured and uncollateralized. \$6,426,944 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.

Investment Summary

The following is a summary of the Town’s investments as of June 30, 2020 (in thousands):

<u>Investment Type</u>	<u>Amount</u>
Market-linked CDs	\$ 330
Corporate bonds	809
Corporate equities	4,808
Equity mutual funds	687
Fixed income mutual funds	2,142
U.S. Treasury and agencies	<u>3,848</u>
Total investments	<u>\$ 12,624</u>

Custodial Credit Risk – Investments

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

As of June 30, 2020, the Town did not have investments subject to custodial credit risk exposure as all assets were held in the Town’s name.

Credit Risk – Investments of Debt Securities

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

As of June 30, 2020, the credit quality ratings, as rated by S&P Global Ratings, of the Town’s debt securities are as follows (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>				
		<u>AAA</u>	<u>A1</u>	<u>A2</u>	<u>Baa1</u>	<u>Unrated</u>
Market-linked CDs	\$ 330	\$ -	\$ -	\$ -	\$ -	\$ 330
Corporate bonds	809	-	231	102	476	-
Fixed income mutual funds	2,142	-	-	-	-	2,142
U.S. Treasury and agencies	<u>3,848</u>	<u>3,848</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 7,129</u>	<u>\$ 3,848</u>	<u>\$ 231</u>	<u>\$ 102</u>	<u>\$ 476</u>	<u>\$ 2,472</u>

Concentration of Credit Risk – Investments

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

As of June 30, 2020, the Town does not have investments in any one issuer that exceeded 5% of total investments.

Interest Rate Risk – Investments of Debt Securities

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

Information about the sensitivity of the fair values of the Town’s investments to market interest rate fluctuations is as follows (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>Unavailable</u>
Market-linked CDs	\$ 330	\$ -	\$ 330	\$ -	\$ -
Corporate bonds	809	151	658	-	-
Fixed income mutual funds	2,142	-	-	-	2,142
U.S. Treasury and agencies	<u>3,848</u>	<u>85</u>	<u>2,734</u>	<u>1,029</u>	<u>-</u>
Total	<u>\$ 7,129</u>	<u>\$ 236</u>	<u>\$ 3,722</u>	<u>\$ 1,029</u>	<u>\$ 2,142</u>

Foreign Currency Risk – Investments

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

Fair Value

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

The hierarchy is based on the valuation inputs used to measure the fair value of the asset 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, 2020 (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>
Investments by fair value level:			
Market-linked CDs	\$ 330	\$ 330	\$ -
Corporate bonds	809	-	809
Corporate equities	4,808	4,808	-
Equity mutual funds	687	687	-
Fixed income mutual funds	2,142	-	2,142
U.S. Treasury and agencies	<u>3,848</u>	3,848	-
Total	<u>\$ 12,624</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.

4. Investments - OPEB Trust Fund

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

The following is a summary of the OPEB Trust Fund's investments as of June 30, 2020 (in thousands):

<u>Investment Type</u>	<u>Amount</u>
Corporate equities	\$ 2,269
Equity mutual funds	<u>847</u>
Total investments	<u>\$ 3,116</u>

Custodial Credit Risk

As of June 30, 2020, the OPEB Trust Fund did not have investments subject to custodial credit risk exposure as all assets were held in the Town’s name.

Concentration of Credit Risk

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

As of June 30, 2020, the OPEB Trust Fund does not have an investment in one issuer greater than 5% of total investments.

Fair Value

The OPEB Trust Fund has the following fair value measurements as of June 30, 2020 (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>
Investments by fair value level:			
Corporate equities	\$ 2,269	\$ 2,269	\$ -
Equity mutual funds	<u>847</u>	847	-
Total	<u>\$ 3,116</u>		

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

5. Investments - Pension Trust Fund (The System)

The following is a summary of the System's investments as of December 31, 2019 (in thousands):

<u>Investment Type</u>	<u>Amount</u>
Corporate equities	\$ 30,408
Equity mutual funds	107,409
External investment pool*	34,329
Fixed income mutual funds	<u>5,879</u>
Total investments	<u>\$ 178,025</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.*

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 \$507,206 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.

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, 2019, the System did not have any investments subject to concentration of credit risk disclosure as any investment classifications exceeding 5% are exempt.

Interest Rate Risk

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

Information about the sensitivity of the fair values of the System's investments to market interest rate fluctuations is as follows (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	\$ 5,879	\$ 219	\$ 2,576	\$ 2,167	\$ 917

Foreign Currency Risk

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

Fair Value

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

The hierarchy is based on the valuation inputs used to measure the fair value of the asset. 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, 2019 (in thousands):

<u>Investment Type</u>	<u>Amount</u>	Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level:				
Corporate equities	\$ 30,408	\$ 30,408	\$ -	\$ -
Equity mutual funds	107,409	107,409	-	-
Fixed income mutual funds	5,879	-	5,879	-
Investments measured at the net asset value (NAV):				
External investment pools	<u>34,329</u>	-	-	-
Total	<u>\$ 178,025</u>			
<u>Investment Type</u>	<u>Amount</u>	Unfunded <u>Commitments</u>	Redemption Frequency (If currently <u>eligible</u>)	Redemption Notice <u>Period</u>
External investment pools	\$ 34,329	\$ -	Monthly	30 Days

6. Property Taxes and Excises Receivable

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

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

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

A statewide property tax limitation known as "Proposition 2 ½" limits the amount of increase in the property tax levy in any fiscal year. Generally, Proposition 2 ½ limits the total levy to an amount not greater than 2 ½% of the total assessed value of all taxable property within the Town. Secondly, the tax levy cannot increase by more than 2 1/2 % of the prior year's levy plus the taxes on property newly added to the tax rolls.

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

Property taxes, excise and departmental receivables at June 30, 2020 consist of the following:

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long- Term Portion
Real estate taxes	\$ 1,037,077	\$ (160,198)	\$ 876,879	\$ -
Personal property taxes	253,277	(140,961)	112,316	-
Community preservation act	8,176	-	8,176	-
Tax liens	<u>252,283</u>	<u>(25,228)</u>	<u>-</u>	<u>227,055</u>
Total property taxes	\$ <u>1,550,813</u>	\$ <u>(326,387)</u>	\$ <u>997,371</u>	\$ <u>227,055</u>
Motor vehicle excise	\$ <u>702,337</u>	\$ <u>(272,891)</u>	\$ <u>429,446</u>	
Total excises	\$ <u>702,337</u>	\$ <u>(272,891)</u>	\$ <u>429,446</u>	
Other departmental	\$ <u>22,159</u>	\$ <u>(22,159)</u>	\$ <u>-</u>	
Total departmental	\$ <u>22,159</u>	\$ <u>(22,159)</u>	\$ <u>-</u>	

7. User Fee Receivables

Receivables for user charges at June 30, 2020 consist of the following:

	Gross Amount	Allowance for Doubtful Accounts	Net Amount
Sewer	\$ 288,941	\$ (94,361)	\$ 194,580
Water	352,630	(117,603)	235,027
Cable	523,977	(158,593)	365,384
Ambulance	<u>336,150</u>	<u>(113,136)</u>	<u>223,014</u>
Total Governmental	1,501,698	(483,693)	1,018,005
Electric	<u>7,814,493</u>	<u>(988,455)</u>	<u>6,826,038</u>
Total Business-type	<u>7,814,493</u>	<u>(988,455)</u>	<u>6,826,038</u>
Total	\$ <u>9,316,191</u>	\$ <u>(1,472,148)</u>	\$ <u>7,844,043</u>

8. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2020.

9. 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.

10. Interfund Transfers

The Town reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The transfer from the electric enterprise to the general fund of \$11,800,186 represents budgetary revenue and expense surpluses which are closed to the general fund annually. The following is an analysis of interfund transfers:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 11,800,186	\$ 698,686
Major Capital Project Fund	132,000	-
Nonmajor Funds:		
Special Revenue Funds	194,000	23,478
Capital Project Funds	<u>304,000</u>	<u>-</u>
Subtotal Nonmajor Funds	498,000	23,478
<u>Business-Type Funds:</u>		
Electric fund	<u>-</u>	<u>11,708,022</u>
Subtotal Business-Type Funds	<u>-</u>	<u>11,708,022</u>
Total	\$ <u><u>12,430,186</u></u>	\$ <u><u>12,430,186</u></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.

11. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 155,934	\$ 17,977	\$ -	\$ 173,911
Machinery, equipment, and furnishings	27,970	1,790	(98)	29,662
Infrastructure	<u>98,525</u>	<u>2,569</u>	<u>-</u>	<u>101,094</u>
Total capital assets, being depreciated	282,429	22,336	(98)	304,667
Less accumulated depreciation for:				
Buildings and improvements	(61,680)	(3,437)	-	(65,117)
Machinery, equipment, and furnishings	(21,214)	(1,738)	83	(22,869)
Infrastructure	<u>(61,859)</u>	<u>(2,142)</u>	<u>-</u>	<u>(64,001)</u>
Total accumulated depreciation	<u>(144,753)</u>	<u>(7,317)</u>	<u>83</u>	<u>(151,987)</u>
Total capital assets, being depreciated, net	137,676	15,019	(15)	152,680
Capital assets, not being depreciated:				
Land	14,736	287	-	15,023
Construction in progress	<u>21,458</u>	<u>-</u>	<u>(17,977)</u>	<u>3,481</u>
Total capital assets, not being depreciated	<u>36,194</u>	<u>287</u>	<u>(17,977)</u>	<u>18,504</u>
Governmental activities capital assets, net	<u>\$ 173,870</u>	<u>\$ 15,306</u>	<u>\$ (17,992)</u>	<u>\$ 171,184</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 14,316	\$ 6,820	\$ -	\$ 21,136
Machinery, equipment, and furnishings	6,114	581	-	6,695
Infrastructure	<u>58,721</u>	<u>-</u>	<u>-</u>	<u>58,721</u>
Total capital assets, being depreciated	79,151	7,401	-	86,552
Less accumulated depreciation for:				
Buildings and improvements	(4,634)	(363)	-	(4,997)
Machinery, equipment, and furnishings	(4,393)	(423)	-	(4,816)
Infrastructure	<u>(35,611)</u>	<u>(1,128)</u>	<u>-</u>	<u>(36,739)</u>
Total accumulated depreciation	<u>(44,638)</u>	<u>(1,914)</u>	<u>-</u>	<u>(46,552)</u>
Total capital assets, being depreciated, net	34,513	5,487	-	40,000
Capital assets, not being depreciated:				
Land	14	-	-	14
Construction in progress	<u>13,370</u>	<u>6,954</u>	<u>(6,820)</u>	<u>13,504</u>
Total capital assets, not being depreciated	<u>13,384</u>	<u>6,954</u>	<u>(6,820)</u>	<u>13,518</u>
Business-type activities capital assets, net	<u>\$ 47,897</u>	<u>\$ 12,441</u>	<u>\$ (6,820)</u>	<u>\$ 53,518</u>

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

Governmental Activities	
General government	\$ 564
Public safety	849
Education	2,868
Public works	1,426
Human services	74
Culture and recreation	467
Water and sewer	<u>1,069</u>
Total governmental activities	<u>\$ 7,317</u>
Business-Type Activities	
Light	\$ 1,914

12. Deferred Outflows of Resources

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

13. Warrants Payable

Warrants payable represent 2020 expenditures paid by July 15, 2020.

14. Accrued Liabilities

Accrued liabilities represent 2020 expenditures paid in 2021.

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, 2020:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/20</u>
Land Acquisition	2.10%	12/19/19	12/17/20	\$ 13,000,000
Various	2.00%	06/26/20	06/25/21	<u>7,221,000</u>
Total				<u>\$ 20,221,000</u>

The following summarizes activity in notes payable during fiscal year 2020:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Land Acquisition	\$ 13,000,000	\$ -	\$ (13,000,000)	\$ -
Access Road Construction	12,500,000	-	(12,500,000)	-
Dean Street Bridge Repair	500,000	-	(500,000)	-
Land Acquisition	-	13,000,000	-	13,000,000
Various	-	<u>7,221,000</u>	-	<u>7,221,000</u>
Total	<u>\$ 26,000,000</u>	<u>\$ 20,221,000</u>	<u>\$ (26,000,000)</u>	<u>\$ 20,221,000</u>

18. Long-Term Debt

General Obligation Bonds and Loans

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

<u>Governmental Activities</u>				Amount Outstanding as of 6/30/20
<u>General Obligation Bonds</u>	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	
Public offerings:				
Landfill Closure Refunding	916,000	1/15/2021	2.480%	\$ 85,000
School Building Repairs	446,000	10/15/2022	2.540%	140,000
Police/Fire Building Repairs	175,000	10/15/2022	2.649%	75,000
Outdoor Recreational Facilities	288,000	10/15/2022	2.504%	85,000
General Obligation Bond	1,691,000	1/15/2021	2.445%	115,000
General Obligation Refunding 2001	9,435,000	10/1/2021	2.802%	1,790,000
General Obligation 2012	2,612,000	1/15/2022	1.240%	280,000
General Obligation Refunding 2012	2,640,000	1/15/2022	1.570%	520,000
General Obligation Municipal 2014	7,252,000	1/15/2034	2.988%	4,725,000
General Obligation Refunding 2015	978,000	8/15/2024	1.566%	1,011,000
General Obligation Bond	43,120,000	6/30/2037	1.967%	26,182,000
General Obligation Bond	4,140,000	1/15/2039	5.000%	3,680,000
Dean Street Bridge Repair	11,550,000	6/15/2040	5.000%	400,000
General Obligation DPW Facility	6,300,000	6/15/2044	3.388%	<u>5,040,000</u>
Total public offerings				44,128,000
 <u>Loans - Direct Borrowings</u>				
MWRA Water Bond	498,322	8/15/2020	0.000%	49,833
MWRA Water Bond	501,678	8/15/2021	0.000%	100,334
MWRA Water Bond	500,000	8/15/2022	0.000%	150,000
MCWT Bond CWP-15-08A	414,356	7/15/2023	0.000%	390,694
MWRA 6/26/14	500,000	8/15/2023	0.000%	200,000
MWRA Water Bond 8/25/14	500,000	8/15/2024	0.000%	250,000
MWRA Water Bond	500,000	8/15/2025	0.000%	300,000
MWRA Sewer Bond	531,000	8/7/2027	0.000%	472,000
MWRA Water Bond	500,000	8/7/2027	0.000%	400,000
MWRA Water Bond	500,000	6/30/2028	0.000%	350,000
MWRA Sewer Bond	157,245	6/30/2028	0.000%	62,898
MWRA Sewer Bond	1,654,200	8/15/2028	0.000%	1,488,780
MWPAT	1,600,000	1/15/2033	2.000%	1,116,317
MWPAT CW11-12	2,175,000	1/15/2033	2.000%	1,517,493
MCWT Bond CW-11-12A	110,127	1/15/2036	2.000%	91,717
MCWT Bond CWP-13-19	2,638,952	1/15/2036	2.000%	2,197,836
MCWT CW15-08	2,212,267	6/30/2037	2.000%	1,937,926
MWRA Water Bond	629,600	8/15/2029	0.000%	<u>629,600</u>
Total loans - direct borrowings				<u>11,705,428</u>
Total governmental activities				<u>\$ 55,833,428</u>

<u>Business-Type Activities</u>		Serial	Interest	Amount
		Maturities	Rate(s) %	Outstanding
		<u>Through</u>		as of
				<u>6/30/20</u>
<u>General Obligation Bonds</u>				
Public offerings:				
Electric Substation	6,368,900	1/15/2021	2.480%	\$ 590,000
General Obligation Refunding 4/23/2015	21,452,000	8/15/2024	1.566%	13,384,000
Electric Light Dept. Expansion	4,500,000	10/15/2024	2.612%	1,500,000
Electric	18,000,000	8/15/2029	4.756%	9,000,000
General Obligation Bond	43,120,000	6/30/2037	2.000%	11,328,000
Light Department Headquarters	11,550,000	6/15/2040	5.000%	<u>11,150,000</u>
Total public offerings				<u>46,952,000</u>
Total business-type activities				<u>\$ 46,952,000</u>

Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2020 are as follows:

<u>Governmental</u>	<u>Bonds - Public Offerings</u>		<u>Loans - Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 5,230,000	\$ 1,459,286	\$ 1,137,151	\$ 144,044
2022	4,858,000	1,268,418	1,096,409	135,658
2023	3,215,000	1,111,269	1,024,083	127,087
2024	2,965,000	990,490	983,574	118,330
2025	2,795,000	882,318	943,271	109,384
2026 - 2030	12,465,000	2,950,288	3,885,937	405,755
2031 - 2035	9,470,000	1,297,232	2,201,266	158,089
2036 - 2040	2,290,000	345,903	433,737	11,365
2041 - 2044	<u>840,000</u>	<u>84,000</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 44,128,000</u>	<u>\$ 10,389,204</u>	<u>\$ 11,705,428</u>	<u>\$ 1,209,712</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, 2020.

<u>Business-Type</u>	<u>Bonds - Public Offerings</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 8,185,000	\$ 1,738,224
2022	7,797,000	1,409,434
2023	7,995,000	1,083,792
2024	3,330,000	846,407
2025	3,330,000	701,043
2026 - 2030	8,875,000	2,054,466
2031 - 2035	4,350,000	675,213
2036 - 2040	<u>3,090,000</u>	<u>187,326</u>
Total	<u>\$ 46,952,000</u>	<u>\$ 8,695,905</u>

Changes in General Long-Term Liabilities

During the year ended June 30, 2020, the following changes occurred in long-term liabilities (in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion</u>
Governmental Activities						
Bonds payable:						
Public offerings	\$ 49,379	\$ 400	\$ (5,651)	\$ 44,128	\$ (5,230)	\$ 38,898
Loans payable (direct borrowings)	12,293	630	(1,217)	11,706	(1,137)	10,569
Unamortized premium	<u>363</u>	<u>-</u>	<u>(73)</u>	<u>290</u>	<u>(73)</u>	<u>217</u>
Subtotal	62,035	1,030	(6,941)	56,124	(6,440)	49,684
Net pension liability	42,263	-	(7,563)	34,700	-	34,700
Net OPEB liability	85,316	3,928	-	89,244	-	89,244
Landfill liability	200	-	(20)	180	(20)	160
Compensated absences	<u>2,824</u>	<u>141</u>	<u>-</u>	<u>2,965</u>	<u>(148)</u>	<u>2,817</u>
Total	<u>\$ 192,638</u>	<u>\$ 5,099</u>	<u>\$ (14,524)</u>	<u>\$ 183,213</u>	<u>\$ (6,608)</u>	<u>\$ 176,605</u>
Business-Type Activities						
Bonds payable:						
Public offerings	\$ 43,321	\$ 11,150	\$ (7,519)	\$ 46,952	\$ (8,185)	\$ 38,767
Unamortized premium	<u>1,563</u>	<u>1,434</u>	<u>(127)</u>	<u>2,870</u>	<u>(199)</u>	<u>2,671</u>
Subtotal	44,884	12,584	(7,646)	49,822	(8,384)	41,438
Net pension liability	1,991	-	(356)	1,635	-	1,635
Net OPEB liability	4,020	185	-	4,205	-	4,205
Compensated absences	<u>367</u>	<u>18</u>	<u>-</u>	<u>385</u>	<u>(19)</u>	<u>366</u>
Total	<u>\$ 51,262</u>	<u>\$ 12,787</u>	<u>\$ (8,002)</u>	<u>\$ 56,047</u>	<u>\$ (8,403)</u>	<u>\$ 47,644</u>

Long-Term Debt Supporting Governmental and Business-Type Activities

Bonds and loans issued by the Town for various municipal projects are approved by Town Meeting and repaid with revenues recorded in the general fund and user fees recorded in the

electric enterprise fund. All other long-term debt is repaid from the funds that the cost relates to, primarily the general fund and enterprise fund.

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 \$180,000 reported as landfill postclosure care liability at June 30, 2020 represents the remaining estimated postclosure maintenance costs. These amounts are based on what it would cost to perform all postclosure care in 2020. 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, 2020:

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, 2020:

	General Fund	Major Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Permanent funds	\$ -	\$ -	\$ 515,573	\$ 515,573
Total Nonexpendable	-	-	515,573	515,573
Restricted				
Capital project funds	-	1,027,558	3,448,941	4,476,499
Special revenue funds	-	-	10,827,825	10,827,825
Community preservation fund	-	-	309,592	309,592
Permanent funds	-	-	589,287	589,287
Total Restricted	-	1,027,558	15,175,645	16,203,203
Committed				
DPW Stabilization fund*	1,438,394	-	-	1,438,394
Total Committed	1,438,394	-	-	1,438,394
Assigned				
Encumbrances:				
General government	312,091	-	-	312,091
Public safety	394,036	-	-	394,036
Education	609,313	-	-	609,313
Public works	323,896	-	-	323,896
Broadband cable	498,617	-	-	498,617
Water and sewer	93,664	-	-	93,664
Health and human services	23,502	-	-	23,502
Culture and recreation	102,850	-	-	102,850
Employee benefits	379,434	-	-	379,434
Next year's expenditures	625,000	-	-	625,000
Reserved for storm relief	388,686	-	-	388,686
Total Assigned	3,751,089	-	-	3,751,089
Unassigned				
General fund	10,986,689	-	-	10,986,689
General stabilization	5,895,291	-	-	5,895,291
Deficit special revenue funds	-	-	(88,622)	(88,622)
Deficit capital project funds	-	(13,107,949)	(1,720,410)	(14,828,359)
Total Unassigned	16,881,980	(13,107,949)	(1,809,032)	1,964,999
Total Fund Balances	\$ 22,071,463	\$ (12,080,391)	\$ 13,882,186	\$ 23,873,258

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

22. Norwood Contributory Retirement System

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

Plan Description

Substantially all employees of the Town (except teachers and administrators under contract employed by the School Department) and Norwood Housing Authority are members of the Norwood Contributory Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of 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 pre-deceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participant Refunds

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

Employer Contributions

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

The Town’s contribution to the System for the year ended June 30, 2020 was \$4,948,984, which was equal to its annual required contribution.

Summary of Significant Accounting Policies

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

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

At June 30, 2020, the Town reported a liability of \$36,335,317 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2019, 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, 2020, the Town’s proportion was 96.19%.

For the year ended June 30, 2020, the Town recognized pension expense of \$5,591,083. In addition, the Town reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ 10,265,763	\$ -
Changes of assumptions	2,428,356	-
Net difference between projected and actual earnings on pension plan investments	-	(8,801,914)
Changes in proportion and differences between contributions and proportionate share of contributions	<u>37,400</u>	<u>(35,362)</u>
Total	<u>\$ 12,731,519</u>	<u>\$ (8,837,276)</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:

2021	\$ 504,267
2022	752,408
2023	2,653,535
2024	(1,247,113)
2025	<u>1,231,146</u>
Total	<u>\$ 3,894,243</u>

Actuarial Assumptions

The total pension liability in the January 1, 2019 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	7.60%
Remaining amortization period	12 years

Mortality rates were based on the following:

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

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

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

Target Allocations

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US equity	30.00%	8.10%
Developed market equity (non-US)	9.00%	8.50%
Emerging market equity	12.00%	10.40%
Investment grade bonds	7.00%	3.90%
TIPS	3.00%	3.60%
Emerging market bond (major)	2.50%	5.20%
Emerging market bond (local)	2.50%	5.30%
High yield bonds	4.00%	6.50%
Private equity	12.00%	10.10%
Real estate	10.00%	7.00%
Natural resources (public)	3.00%	9.00%
Core private infrastructure	5.00%	6.50%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made

at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.60%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

1% Decrease <u>(6.60%)</u>	Current Discount Rate <u>(7.60%)</u>	1% Increase <u>(8.60%)</u>
\$ 57,993,619	\$ 36,335,317	\$ 17,843,955

Pension Plan Fiduciary Net Position

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

23. Massachusetts Teachers’ Retirement System (MTRS)

Plan Description

The Massachusetts Teachers’ Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. MTRS is managed by the Commonwealth 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.

Benefits Provided

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

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

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

Contributions

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

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

Actuarial Assumptions

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019. This valuation used the following assumptions:

- (a) 7.25% (changed from 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, updated to reflect post-retirement mortality through January 1, 2017.
- 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).

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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	39.00%	4.90%
Portfolio completion strategies	11.00%	3.90%
Core fixed income	15.00%	1.30%
Private equity	13.00%	8.20%
Real estate	10.00%	3.60%
Value added fixed income	8.00%	4.70%
Timber/natural resources	4.00%	4.10%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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.

Sensitivity Analysis

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

1%	Current	1%
Decrease	Discount	Increase
<u>to 6.25%</u>	<u>Rate 7.25%</u>	<u>to 8.25%</u>
\$ 31,232,100	\$ 25,214,020	\$ 20,062,500

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.

Town Proportions

In fiscal year 2019 (the most recent measurement period), the Town’s proportionate share of the MTRS’ collective net pension liability was approximately \$101,220,976 based on a proportionate share of 0.40145%. As required by GASB 68, the Town has recognized its portion of the Commonwealth’s contribution of \$5,795,733 as both a revenue and expenditure in the general fund, and its portion of the collective pension expense of \$12,274,800 as both a revenue and expense in the governmental activities.

24. 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 a single employer defined benefit OPEB Trust Fund to provide funding for future employee health care costs. The OPEB Trust Fund does not issue a stand-alone financial report.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of *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, 2020.

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

Funding Policy

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

Plan Membership

At June 30, 2020, 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>

Investments

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

Rate of return. For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was not available. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial Assumptions and Other Inputs

The net OPEB liability was determined by an actuarial valuation as of July 1, 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 2020
Funding assumption	The use of the 7% discount rate is based on OPEB funding assumption to contribute \$500,000 - \$700,000 for the next 10 years, and then contribute an additional \$5 million annually (increasing 3.5% annually) once pension is fully funded.

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

Target Allocations

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020 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%	4.96%
International Equity	23%	4.73%
Domestic Bond	20%	2.22%
Alternative	20%	2.76%
International Bond	<u>3%</u>	1.53%
Total	<u>100%</u>	

Contributions

In addition to the implicit subsidy contribution, the Town's policy is to contribute the amounts provided annually by the budget. See "Funding Assumption" above.

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.

Net OPEB Liability

The components of the net OPEB liability, measured as of June 30, 2020, were as follows:

Total OPEB liability	\$ 96,570,374
Plan fiduciary net position	<u>3,121,099</u>
Net OPEB liability	<u>\$ 93,449,275</u>
Plan fiduciary net position as a percentage of the total OPEB liability	3.23%

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

Changes in the Net OPEB Liability

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances, beginning of year	\$ 92,116,334	\$ 2,780,327	\$ 89,336,007
Changes for the year:			
Service cost	2,264,958	-	2,264,958
Interest	6,459,745	-	6,459,745
Contributions - employer	-	4,520,663	(4,520,663)
Net investment income	-	90,772	(90,772)
Benefit payments	<u>(4,270,663)</u>	<u>(4,270,663)</u>	<u>-</u>
Net Changes	<u>4,454,040</u>	<u>340,772</u>	<u>4,113,268</u>
Balances, end of year	<u>\$ 96,570,374</u>	<u>\$ 3,121,099</u>	<u>\$ 93,449,275</u>

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

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

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

1% Decrease <u>(6%)</u>	Current Discount Rate <u>(7%)</u>	1% Increase <u>(8%)</u>
\$ 105,498,783	\$ 93,449,275	\$ 83,441,053

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 <u>Rates</u>	1% <u>Increase</u>
\$ 80,409,212	\$ 93,449,275	\$ 109,630,480

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

For the year ended June 30, 2020, the Town recognized an OPEB expense of \$4,510,883. At June 30, 2020, the Town reported deferred (inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ -	\$ (25,775,258)
Changes in assumptions	-	(22,850,047)
Net difference between projected and actual earnings on OPEB investment earnings	<u>23,446</u>	<u>-</u>
Total	<u>\$ 23,446</u>	<u>\$ (48,625,305)</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>	
2021	\$ (13,044,820)
2022	(13,032,292)
2023	(13,028,267)
2024	<u>(9,496,480)</u>
Total	\$ <u><u>(48,601,859)</u></u>

25. 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 (December 31, 2019)	Other Post-Employment Benefits Trust Fund	Pension and OPEB Trust Funds
Assets			
Cash and short-term investments	\$ 1,291,608	\$ 155,327	\$ 1,446,935
Investments:			
Corporate equities	30,407,795	2,269,172	32,676,967
Equity mutual funds	107,408,469	846,600	108,255,069
External investment pool	34,329,086	-	34,329,086
Fixed income mutual funds	<u>5,879,177</u>	<u>-</u>	<u>5,879,177</u>
Total Investments	178,024,527	3,115,772	181,140,299
Accounts receivable	<u>125,850</u>	<u>-</u>	<u>125,850</u>
Total Assets	179,441,985	3,271,099	182,713,084
Liabilities			
Accounts payable	222,848	-	222,848
Other liabilities	<u>-</u>	<u>150,000</u>	<u>150,000</u>
Total Liabilities	222,848	150,000	372,848
Net Position			
Restricted for pensions	179,219,137	-	179,219,137
Restricted for OPEB purposes	<u>-</u>	<u>3,121,099</u>	<u>3,121,099</u>
Total Net Position	\$ <u><u>179,219,137</u></u>	\$ <u><u>3,121,099</u></u>	\$ <u><u>182,340,236</u></u>

	Pension Trust Fund (year ended <u>December 31, 2019</u>)	Other Post-Employment Benefits Trust <u>Fund</u>	Pension and OPEB Trust Funds
Additions			
Contributions:			
Employers	\$ 5,400,698	\$ 4,593,770	\$ 9,994,468
Plan members	3,683,874	-	3,683,874
Other systems and Commonwealth of Massachusetts	404,535	-	404,535
Other	<u>2,221</u>	<u>-</u>	<u>2,221</u>
Total contributions	9,491,328	4,593,770	14,085,098
Investment Income (Loss):			
Increase (decrease) in fair value of investments	31,008,356	17,665	31,026,021
Less: management fees	<u>(1,249,670)</u>	<u>-</u>	<u>(1,249,670)</u>
Net investment income (loss)	<u>29,758,686</u>	<u>17,665</u>	<u>29,776,351</u>
Total additions	39,250,014	4,611,435	43,861,449
Deductions			
Benefit payments to plan members and beneficiaries	13,529,514	4,270,663	17,800,177
Refunds to plan members	105,896	-	105,896
Transfers to other systems	218,339	-	218,339
Administrative expenses	<u>215,194</u>	<u>-</u>	<u>215,194</u>
Total deductions	<u>14,068,943</u>	<u>4,270,663</u>	<u>18,339,606</u>
Net increase (decrease)	25,181,071	340,772	25,521,843
Net position restricted for pensions and OPEB purposes			
Beginning of year	<u>154,038,066</u>	<u>2,780,327</u>	<u>156,818,393</u>
End of year	<u>\$ 179,219,137</u>	<u>\$ 3,121,099</u>	<u>\$ 182,340,236</u>

26. Subsequent Events

Management has evaluated subsequent events through March 4, 2021, which is the date the financial statements were available to be issued.

Debt

Subsequent to June 30, 2020, the Town has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
MWRA Water Bond	\$ 629,600	0.00%	8/31/2020	8/31/2029

27. Commitments and Contingencies

COVID-19

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

Grants

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

Encumbrances

At year-end the Town’s general fund has \$2,737,403 in encumbrances that will be honored in the next fiscal year.

28. Beginning Net Position Restatement

The beginning (July 1, 2019) net position of the Town has been restated as follows:

	Government-Wide Financial and Fund Financial Statements:
	Business-Type <u>Activities</u> Electric Enterprise <u>Fund</u>
As previously reported	\$ (1,783,787)
Adjustment to capital assets	<u>6,550,395</u>
As restated	<u><u>\$ 4,766,608</u></u>

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, 2021. 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, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

TOWN OF NORWOOD, MASSACHUSETTS

Required Supplemental Information
 General Fund
 Schedule of Revenues and Other Sources, and Expenditures and Other Uses –
 Budget and Actual
 For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Positive (Negative)</u>
Revenues				
Property taxes	\$ 83,268,324	\$ 83,268,324	\$ 83,599,812	\$ 331,488
Excise	4,812,877	4,812,877	4,668,131	(144,746)
Charges for services	25,459,845	25,459,845	25,839,846	380,001
Penalties, interest and other taxes	2,129,340	2,129,340	2,068,668	(60,672)
Licenses and permits	3,134,529	3,134,529	2,957,875	(176,654)
Intergovernmental	13,599,072	13,599,072	13,697,333	98,261
Investment income	322,416	322,416	262,710	(59,706)
Miscellaneous	<u>-</u>	<u>-</u>	<u>40,880</u>	<u>40,880</u>
Total Revenues	132,726,403	132,726,403	133,135,255	408,852
Expenditures				
General government	6,334,734	6,334,734	5,999,969	334,765
Public safety	17,455,781	17,455,781	17,122,818	332,963
Education	51,020,869	51,020,869	50,871,985	148,884
Public works	8,571,718	8,571,718	8,231,588	340,130
Broadband cable	7,732,092	7,732,092	6,674,271	1,057,821
Water and sewer	12,892,743	12,892,743	12,695,265	197,478
Health and human services	1,558,376	1,558,376	1,442,392	115,984
Culture and recreation	3,509,089	3,509,089	3,399,232	109,857
Employee benefits	22,768,653	22,768,653	22,465,714	302,939
Debt service	8,877,097	8,877,097	8,869,520	7,577
Intergovernmental	<u>2,195,980</u>	<u>2,195,980</u>	<u>2,195,980</u>	<u>-</u>
Total Expenditures	<u>142,917,132</u>	<u>142,917,132</u>	<u>139,968,734</u>	<u>2,948,398</u>
Excess (Deficiency) of Revenues over Expenditures	(10,190,729)	(10,190,729)	(6,833,479)	3,357,250
Other Financing Sources (Uses)				
Transfers in	9,073,669	9,073,669	12,788,260	3,714,591
Transfers out	(2,946,455)	(3,250,455)	(3,250,455)	-
Use of free cash:				
Operating budget	434,290	434,290	434,290	-
Capital budget	561,900	865,900	865,900	-
Other sources	<u>3,067,325</u>	<u>3,067,325</u>	<u>3,067,325</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>10,190,729</u>	<u>10,190,729</u>	<u>13,905,320</u>	<u>3,714,591</u>
Overall Budgetary Excess (Deficiency)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>7,071,841</u>	\$ <u>7,071,841</u>

See Independent Auditors' Report.

**Notes to the Required Supplemental Information
for General Fund Budget**

Budgetary Basis

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

Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/Uses</u>
GAAP Basis	\$ 139,089,189	\$ 142,902,500	\$ 11,101,500
Add end-of-year appropriation carryforwards from expenditures	-	2,737,403	-
To record use of free cash	-	-	1,300,190
Other sources	197,278	-	3,067,325
To reverse the effect of non- budgeted State contributions	(5,795,733)	(5,795,733)	-
To remove unbudgeted stabilization fund	(355,479)	-	(1,637,861)
Other timing differences	-	124,564	74,166
Budgetary Basis	<u>\$ 133,135,255</u>	<u>\$ 139,968,734</u>	<u>\$ 13,905,320</u>

See Independent Auditors' Report.

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

(Unaudited)

Norwood Contributory Retirement System

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

Massachusetts Teachers' Retirement System

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

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

See Independent Auditors' Report.

TOWN OF NORWOOD, MASSACHUSETTS
 Required Supplementary Information
 Schedule of Pension Contributions

(Unaudited)

Norwood Contributory Retirement System

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

Massachusetts Teachers' Retirement System

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

Schedule is 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
 Other Post-Employment Benefits (OPEB)
 Schedule of Changes in Net OPEB Liability

(Unaudited)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability				
Service cost	\$ 2,264,958	\$ 2,473,391	\$ 6,107,954	\$ 5,844,932
Interest	6,459,745	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>(4,270,663)</u>	<u>(4,086,759)</u>	<u>(4,718,245)</u>	<u>(4,329,657)</u>
Net change in total OPEB liability	4,454,040	(70,207,258)	7,342,881	7,195,954
Total OPEB liability - beginning	<u>92,116,334</u>	<u>162,323,592</u>	<u>154,980,711</u>	<u>147,784,757</u>
Total OPEB liability - ending (a)	96,570,374	92,116,334	162,323,592	154,980,711
Plan Fiduciary Net Position				
Contributions - employer	4,520,663	4,636,759	5,018,245	4,679,657
Net investment income	90,772	148,246	89,182	115,189
Benefit payments, including refunds of member contributions	<u>(4,270,663)</u>	<u>(4,086,759)</u>	<u>(4,718,245)</u>	<u>(4,329,657)</u>
Net change in plan fiduciary net position	340,772	698,246	389,182	465,189
Plan fiduciary net position - beginning	<u>2,780,327</u>	<u>2,082,081</u>	<u>1,692,899</u>	<u>1,227,710</u>
Plan fiduciary net position - ending (b)	<u>3,121,099</u>	<u>2,780,327</u>	<u>2,082,081</u>	<u>1,692,899</u>
Net OPEB liability - ending (a-b)	<u>\$ 93,449,275</u>	<u>\$ 89,336,007</u>	<u>\$ 160,241,511</u>	<u>\$ 153,287,812</u>

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

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

See Independent Auditors' Report.

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

(Unaudited)

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

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