

TOWN OF NORFOLK, MASSACHUSETTS

**INDEPENDENT AUDITORS' REPORT ON
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

TOWN OF NORFOLK, MASSACHUSETTS

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FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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Independent Auditors' Report

Independent Auditors' Report

To the Honorable Board of Selectmen
Town of Norfolk, 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 Norfolk, Massachusetts (Town), as of and for the year ended June 30, 2013, 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

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2013, 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 the management's discussion and analysis (located on pages 4 through 11), budgetary comparison of the general fund and community preservation fund and certain pension and other postemployment benefits information (located on pages 53 through 61) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2014 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Boston, Massachusetts
April 3, 2014

Management's Discussion and Analysis

TOWN OF NORFOLK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

As management of the Town of Norfolk, Massachusetts (Town), we offer readers of these financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2013.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$59,971,343 (net position)
- The Town's total net position increased \$1,806,826
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$1,791,151, or 5.3 percent of total general fund expenditures and transfers out
- The Town's total bonded debt decreased by \$2,172,735 during the fiscal year

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the *basic financial statements*, which consists of the following three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

This report also contains required supplementary information in addition to the basic financial statements.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The **statement of net position** presents information on all of the Town's non-fiduciary assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Town 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*). Governmental activities include general government, public safety, education, public works, health and human services, culture and recreation and debt service (interest). Business-type activities include the Town's water operations.

The government-wide financial statements can be found on pages 13-15 of this report.

TOWN OF NORFOLK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

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. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into the following categories and are described below:

1. Governmental funds
2. Proprietary funds
3. 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 funds financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable 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 effect of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains 212 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, community preservation (special revenue) and elementary school construction (capital project) funds, each of which is considered to be a major fund. Data from the other 209 governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

The basic governmental fund financial statements can be found on pages 16-21 of this report.

Proprietary funds

The Town maintains one type of proprietary fund.

The *enterprise fund* is used to report the same function presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its water operations, which is considered to be a major fund.

The basic proprietary fund financial statements can be found on pages 22-24 of this report.

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 programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

TOWN OF NORFOLK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

Private-purpose trust funds and agency funds are reported and combined into a single, aggregate presentation in the fiduciary fund financial statements under the captions "private purpose trust funds" and "agency funds", respectively.

The basic fiduciary funds financial statements can be found on pages 25-26 of this report.

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-52 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the budget comparison for the general fund and community preservation fund and certain pension and other postemployment benefits information, which can be found on pages 53-61 of this report.

Government-Wide Financial Analysis

The following tables present current and prior year data on the government-wide financial statements.

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded liabilities by \$59,971,343 at the close of the fiscal year and are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2013	2012	2013	2012	2013	2012
Assets						
Current assets.....	\$ 13,294,458	\$ 17,779,215	\$ 1,133,092	\$ 1,000,059	\$ 14,427,550	\$ 18,779,274
Noncurrent assets (excluding capital assets).....	883,130	1,204,983	260,417	317,715	1,143,547	1,522,698
Capital assets (net).....	<u>63,144,404</u>	<u>59,251,237</u>	<u>17,371,663</u>	<u>17,620,013</u>	<u>80,516,067</u>	<u>76,871,250</u>
Total assets.....	<u>77,321,992</u>	<u>78,235,435</u>	<u>18,765,172</u>	<u>18,937,787</u>	<u>96,087,164</u>	<u>97,173,222</u>
Liabilities						
Current liabilities (excluding debt).....	1,879,530	3,823,560	96,314	89,275	1,975,844	3,912,835
Noncurrent liabilities (excluding debt).....	8,149,415	6,969,845	79,365	59,339	8,228,780	7,029,184
Current debt.....	1,862,052	2,131,520	372,535	397,415	2,234,587	2,528,935
Noncurrent debt.....	<u>19,998,610</u>	<u>21,528,751</u>	<u>3,678,000</u>	<u>4,009,000</u>	<u>23,676,610</u>	<u>25,537,751</u>
Total liabilities.....	<u>31,889,607</u>	<u>34,453,676</u>	<u>4,226,214</u>	<u>4,555,029</u>	<u>36,115,821</u>	<u>39,008,705</u>
Net Assets						
Net investment in capital assets.....	42,376,991	41,049,925	13,334,506	13,271,031	55,711,497	54,320,956
Restricted.....	6,634,960	6,249,459	-	-	6,634,960	6,249,459
Unrestricted.....	<u>(3,579,566)</u>	<u>(3,517,625)</u>	<u>1,204,452</u>	<u>1,111,727</u>	<u>(2,375,114)</u>	<u>(2,405,898)</u>
Total net assets.....	<u>\$ 45,432,385</u>	<u>\$ 43,781,759</u>	<u>\$ 14,538,958</u>	<u>\$ 14,382,758</u>	<u>\$ 59,971,343</u>	<u>\$ 58,164,517</u>

TOWN OF NORFOLK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

The largest portion of the Town's net position (\$55,711,497) reflects its net investment in capital assets (e.g., land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles, and infrastructure). These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (\$6,634,960) represents resources that are subject to external restrictions on how they may be used.

Unrestricted net position of \$1,204,452 may be used to support business-type activities. The Town has no unrestricted net position available for the support of governmental activities. Such resources have been consumed with the recognition of other postemployment benefits liabilities.

Changes in Net Position

For the fiscal year ended June 30, 2013, the Town's total net position increased by \$1,806,826 compared to an increase of \$9,242,983 in the prior fiscal year. These amounts are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2013	2012	2013	2012	2013	2012
Revenues						
<i>Program Revenues:</i>						
Charges for services.....	\$ 2,611,374	\$ 2,745,980	\$ 1,506,598	\$ 1,460,758	\$ 4,117,972	\$ 4,206,738
Operating grants and contributions.....	6,382,119	6,212,066	21,902	36,349	6,404,021	6,248,415
Capital grants and contributions.....	2,041,187	9,064,086	-	-	2,041,187	9,064,086
<i>General Revenues:</i>						
Real estate and personal property taxes.....	25,010,570	23,928,202	-	-	25,010,570	23,928,202
Motor vehicle and other excise taxes.....	1,454,946	1,319,275	-	-	1,454,946	1,319,275
Penalties and interest on taxes.....	69,076	113,933	-	-	69,076	113,933
Payments in lieu of taxes.....	67,020	65,478	-	-	67,020	65,478
Community preservation surcharges.....	549,323	526,614	-	-	549,323	526,614
Grants and contributions not restricted to specific programs.....	811,396	752,484	-	-	811,396	752,484
Unrestricted investment income.....	9,550	23,701	-	-	9,550	23,701
Gain on sale of capital assets.....	-	170,324	(163,178)	-	(163,178)	170,324
Total revenues.....	39,006,561	44,922,143	1,365,322	1,497,107	40,371,883	46,419,250
Expenses						
General government.....	3,371,803	2,312,531	-	-	3,371,803	2,312,531
Public safety.....	5,202,766	5,336,607	-	-	5,202,766	5,336,607
Education.....	22,992,636	22,571,647	-	-	22,992,636	22,571,647
Public works.....	2,860,257	2,739,241	-	-	2,860,257	2,739,241
Health and human services.....	638,465	602,455	-	-	638,465	602,455
Culture and recreation.....	1,492,869	1,455,636	-	-	1,492,869	1,455,636
Debt service - interest.....	797,139	762,382	-	-	797,139	762,382
Water.....	-	-	1,209,122	1,395,767	1,209,122	1,395,767
Total expenses.....	37,355,935	35,780,500	1,209,122	1,395,767	38,565,057	37,176,267
Change in net assets.....	1,650,626	9,141,643	156,200	101,340	1,806,826	9,242,983
Net assets - beginning of year.....	43,781,759	34,640,116	14,382,758	14,281,418	58,164,517	48,921,534
Net assets - end of year.....	\$ 45,432,385	\$ 43,781,759	\$ 14,538,958	\$ 14,382,758	\$ 59,971,343	\$ 58,164,517

TOWN OF NORFOLK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

Governmental activities increased the Town's net position by \$1,650,626. In the prior year, governmental activities increased the Town's net position by \$9,141,643. The key element of this change was a decrease in capital grants of approximately \$7,000,000, primarily related to Massachusetts School Building Authority (MSBA) reimbursements for construction costs of the Freeman-Centennial Elementary School.

Business-type activities increased the Town's net position by \$156,200. This is consistent with the prior year, in which business-type activities increased the Town's net position by \$101,340.

Fund Financial Statement Analysis

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

Governmental funds

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements.

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$10,371,597, a decrease of \$2,722,796 in comparison with the prior year. Approximately \$1,467,000 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable (\$105,428)
- Restricted (\$7,974,481)
- Committed (\$421,328)
- Assigned (\$402,926)

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund totaled \$1,791,151, while total fund balance was \$2,798,564. 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 and transfers out. Unassigned fund balance represents 5.3% of total general fund expenditures, while total fund balance represents 8.3% of that same amount.

The fund balance of the Town's general fund increased \$165,863 during fiscal year 2013. Although the Town recognized an approximate \$900,000 budgetary surplus (before encumbrances and continuing appropriations), approximately \$1,288,000 of reserves was utilized for spending during the fiscal year.

Financial highlights of the Town's other major governmental funds are as follows:

The fund balance of the community preservation fund (special revenue) increased by \$271,326 during the current fiscal year. The fund recognized \$549,210 in surcharges, \$206,363 in intergovernmental revenues, \$1,779 in tax liens, \$981 in investment income and \$845 in penalties and interest on taxes. Expenditures of \$87,852 were incurred during the fiscal year. The fund also transferred \$400,000 to the affordable housing fund (nonmajor governmental fund).

The fund balance of the elementary school construction fund (capital project) decreased by \$3,071,139 during the current fiscal year. The fund recognized \$1,601,424 in intergovernmental revenues as well as a transfer of \$11,000 from the general fund. Expenditures of \$4,683,563 were incurred during the fiscal year.

TOWN OF NORFOLK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

Proprietary funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the water enterprise fund at the end of the year amounted to \$1,204,452. The fund had an increase in net position for the year of \$156,200. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

The original general fund budget of \$32,745,156 was increased by \$742,214 (2.3%) during the fiscal year. The following table summarizes the increase:

<u>Purpose of Increase/Decrease</u>	<u>Amount</u>	<u>Funding Source</u>
Transfer to stabilization fund.....	\$ 500,000	Unassigned fund balance
Snow and ice.....	60,103	Unassigned fund balance
Fire expenses.....	53,766	Unassigned fund balance
Veterans' services expenses.....	26,000	Unassigned fund balance
Police expenses.....	22,500	Unassigned fund balance
Library expenses.....	20,000	Unassigned fund balance
Facilities expenses.....	16,595	Unassigned fund balance
Assessors expenses.....	15,913	Unassigned fund balance
Snow and ice.....	12,182	Transfers from revolving funds
DPW expenses.....	12,120	Unassigned fund balance
Fire expenses.....	<u>3,035</u>	Transfers from revolving funds
Total net increase.....	<u>\$ 742,214</u>	

During the year, revenues and expenditures and encumbrances and continuing appropriations were less than budgetary estimates, while other financing sources were greater than budgetary estimates, resulting in a positive budget to actual variance of \$426,158.

Capital Asset and Debt Administration

Capital assets

The Town's investment in capital assets for its governmental and business type activities at the end of the fiscal year totaled \$80,516,067 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles, and infrastructure. The total increase in the investment in capital assets for the current fiscal year totaled \$3,644,817 or 4.7% (a 5.0% increase for governmental activities and a 0.3% decrease for business-type activities).

The major capital asset event that occurred during the current fiscal year was construction in progress of the new elementary school building of approximately \$3,000,000.

TOWN OF NORFOLK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

The following table summarizes the Town's capital assets (net of accumulated depreciation):

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2013	2012	2013	2012	2013	2012
Land.....	\$ 10,022,315	\$ 10,022,315	\$ 1,142,571	\$ 1,142,571	\$ 11,164,886	\$ 11,164,886
Construction in progress.....	31,260,667	28,217,556	1,439,527	2,148,312	32,700,194	30,365,868
Land improvements.....	861,341	910,833	-	-	861,341	910,833
Buildings.....	11,270,653	11,880,602	378,044	389,179	11,648,697	12,269,781
Machinery and equipment.....	2,536,184	1,106,561	433,905	488,902	2,970,089	1,595,463
Vehicles.....	719,284	254,794	36,616	2,040	755,900	256,834
Infrastructure.....	6,473,960	6,858,576	13,941,000	13,449,009	20,414,960	20,307,585
Total capital assets.....	<u>\$ 63,144,404</u>	<u>\$ 59,251,237</u>	<u>\$ 17,371,663</u>	<u>\$ 17,620,013</u>	<u>\$ 80,516,067</u>	<u>\$ 76,871,250</u>

Additional information on the Town's capital assets can be found in Note 5 on pages 40-41 of this report.

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$25,537,751, which is backed by the full faith and credit of the Town, and is summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2013	2012	2013	2012	2013	2012
General obligation bonds.....	\$ 21,365,000	\$ 23,129,400	\$ 3,694,000	\$ 4,065,000	\$ 25,059,000	\$ 27,194,400
MWPAT notes.....	163,751	174,671	315,000	341,415	478,751	516,086
Total bonds and notes.....	<u>\$ 21,528,751</u>	<u>\$ 23,304,071</u>	<u>\$ 4,009,000</u>	<u>\$ 4,406,415</u>	<u>\$ 25,537,751</u>	<u>\$ 27,710,486</u>

The Town's total bonded debt decreased by \$2,172,735 (7.8%) during the current fiscal year.

Additional information on the Town's long-term debt can be found in Note 9 on pages 44-46 of this report.

Economic Factors and Next Year's Budgets and Rates

The development of the fiscal year 2014 general fund operating budget was influenced by limitations on the property tax levy imposed by Proposition 2 ½ and increased uncontrollable expenses. The limitations of Proposition 2 ½ provided for an increase in property taxes of approximately \$900,000. On the expense side, a majority of Town employees are covered by collective bargaining agreements, therefore salary and benefit increases in fiscal year 2014 were largely driven by these agreements. In addition, the Town's expense for pension benefits is dependent upon an actuarial valuation by the Norfolk County Retirement System.

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 its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, Town Hall, One Liberty Lane, Norfolk, Massachusetts 02056.

Basic Financial Statements

TOWN OF NORFOLK, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents.....	\$ 3,089,156	\$ 665,171	\$ 3,754,327
Restricted cash and cash equivalents.....	7,238,445	13,378	7,251,823
Investments.....	342,469	-	342,469
Restricted investments.....	419,970	-	419,970
Receivables, net of allowance for uncollectible amounts:			
Real estate and personal property taxes.....	316,882	-	316,882
Tax and utility liens.....	655,429	19,088	674,517
Motor vehicle and other excise taxes.....	131,509	-	131,509
Community preservation surcharges.....	5,164	-	5,164
User charges.....	-	389,179	389,179
Special assessments.....	4,624	46,276	50,900
Departmental and other.....	123,291	-	123,291
Intergovernmental.....	967,519	-	967,519
Total current assets.....	13,294,458	1,133,092	14,427,550
Noncurrent assets:			
Receivables, net of allowance for uncollectible amounts:			
Real estate tax deferrals.....	54,558	-	54,558
Special assessments.....	41,611	260,417	302,028
Intergovernmental.....	325,000	-	325,000
Tax foreclosures.....	461,961	-	461,961
Capital assets not being depreciated.....	41,282,982	2,582,098	43,865,080
Capital assets, net of accumulated depreciation.....	21,861,422	14,789,565	36,650,987
Total noncurrent assets.....	64,027,534	17,632,080	81,659,614
Total assets.....	77,321,992	18,765,172	96,087,164
LIABILITIES			
Current liabilities:			
Warrants payable.....	689,410	27,463	716,873
Accrued payroll.....	186,468	4,769	191,237
Tax refunds payable.....	90,516	-	90,516
Other liabilities.....	264,609	-	264,609
Accrued interest.....	233,776	64,082	297,858
Landfill post-closure.....	77,751	-	77,751
Compensated absences.....	337,000	-	337,000
Short-term notes payable.....	331,911	41,535	373,446
Long-term bonds and notes payable.....	1,530,141	331,000	1,861,141
Total current liabilities.....	3,741,582	468,849	4,210,431
Noncurrent liabilities:			
Landfill post-closure.....	1,205,226	-	1,205,226
Compensated absences.....	163,000	-	163,000
Net OPEB obligation.....	6,781,189	79,365	6,860,554
Long-term bonds and notes payable.....	19,998,610	3,678,000	23,676,610
Total noncurrent liabilities.....	28,148,025	3,757,365	31,905,390
Total liabilities.....	31,889,607	4,226,214	36,115,821
NET POSITION			
Net investment in capital assets.....	42,376,991	13,334,506	55,711,497
Restricted for:			
Community preservation.....	4,390,239	-	4,390,239
Debt service.....	183,159	-	183,159
Permanent funds:			
Expendable.....	504,027	-	504,027
Nonexpendable.....	105,428	-	105,428
Other specific purposes.....	1,452,107	-	1,452,107
Unrestricted.....	(3,579,566)	1,204,452	(2,375,114)
Total net position.....	\$ 45,432,385	\$ 14,538,958	\$ 59,971,343

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

TOWN OF NORFOLK, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government.....	\$ 3,371,803	\$ 196,400	\$ 689,740	\$ 332,652	\$ (2,153,011)
Public safety.....	5,202,766	613,846	43,645	-	(4,545,275)
Education.....	22,992,636	961,644	5,479,426	1,601,424	(14,950,142)
Public works.....	2,860,257	395,028	28,831	106,211	(2,330,187)
Health and human services.....	638,465	71,631	104,455	-	(462,379)
Culture and recreation.....	1,492,869	372,825	30,720	900	(1,088,424)
Debt service - interest.....	797,139	-	5,302	-	(791,837)
Total governmental activities.....	<u>37,355,935</u>	<u>2,611,374</u>	<u>6,382,119</u>	<u>2,041,187</u>	<u>(26,321,255)</u>
Business-type activities:					
Water.....	<u>1,209,122</u>	<u>1,506,598</u>	<u>21,902</u>	<u>-</u>	<u>319,378</u>
Total primary government.....	<u>\$ 38,565,057</u>	<u>\$ 4,117,972</u>	<u>\$ 6,404,021</u>	<u>\$ 2,041,187</u>	<u>\$ (26,001,877)</u>

TOWN OF NORFOLK, MASSACHUSETTS
STATEMENT OF ACTIVITIES (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense)/revenue (from previous page).....	\$ (26,321,255)	\$ 319,378	\$ (26,001,877)
<i>General revenues:</i>			
Real estate and personal property taxes.....	25,010,570	-	25,010,570
Motor vehicle and other excise taxes.....	1,454,946	-	1,454,946
Penalties and interest on taxes.....	69,076	-	69,076
Payments in lieu of taxes.....	67,020	-	67,020
Community preservation surcharges.....	549,323	-	549,323
Grants and contributions not restricted to specific programs.....	811,396	-	811,396
Unrestricted investment income.....	9,550	-	9,550
(Loss) on sale/disposal of capital assets.....	-	(163,178)	(163,178)
Total general revenues and transfers.....	27,971,881	(163,178)	27,808,703
Change in net position.....	1,650,626	156,200	1,806,826
Net position - beginning of year.....	43,781,759	14,382,758	58,164,517
Net position - end of year.....	\$ 45,432,385	\$ 14,538,958	\$ 59,971,343

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

TOWN OF NORFOLK, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013

ASSETS	<u>General</u>	<u>Community Preservation</u>
Cash and cash equivalents.....	\$ 3,089,156	\$ -
Investments.....	342,469	-
Receivables, net of allowance for uncollectible amounts:		
Real estate and personal property taxes.....	316,882	-
Real estate tax deferrals.....	54,558	-
Tax liens.....	644,913	10,516
Motor vehicle and other excise taxes.....	131,509	-
Community preservation surcharges.....	-	5,164
Special assessments.....	46,235	-
Departmental and other.....	122,681	-
Intergovernmental.....	688,891	-
Tax foreclosures.....	461,961	-
Restricted assets:		
Cash and cash equivalents.....	183,159	4,375,730
Investments.....	-	-
TOTAL ASSETS.....	<u>\$ 6,082,414</u>	<u>\$ 4,391,410</u>
 LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Warrants payable.....	\$ 532,803	\$ -
Accrued payroll.....	169,696	-
Tax refunds payable.....	90,516	-
Other liabilities.....	263,438	1,171
Deferred revenue.....	2,227,397	15,680
Short-term notes payable.....	-	-
TOTAL LIABILITIES.....	<u>3,283,850</u>	<u>16,851</u>
 FUND BALANCES:		
Nonspendable.....	-	-
Restricted.....	183,159	4,374,559
Committed.....	421,328	-
Assigned.....	402,926	-
Unassigned.....	1,791,151	-
TOTAL FUND BALANCES.....	<u>2,798,564</u>	<u>4,374,559</u>
TOTAL LIABILITIES AND FUND BALANCES.....	<u>\$ 6,082,414</u>	<u>\$ 4,391,410</u>

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

Elementary School Construction	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 3,089,156
-	-	342,469
-	-	316,882
-	-	54,558
-	-	655,429
-	-	131,509
-	-	5,164
-	-	46,235
610	-	123,291
477,458	126,170	1,292,519
-	-	461,961
938,185	1,741,371	7,238,445
-	419,970	419,970
<u>\$ 1,416,253</u>	<u>\$ 2,287,511</u>	<u>\$ 14,177,588</u>

\$ 124,140	\$ 32,467	\$ 689,410
-	16,772	186,468
-	-	90,516
-	-	264,609
-	-	2,243,077
-	331,911	331,911
<u>124,140</u>	<u>381,150</u>	<u>3,805,991</u>
-	105,428	105,428
1,292,113	2,124,650	7,974,481
-	-	421,328
-	-	402,926
-	(323,717)	1,467,434
<u>1,292,113</u>	<u>1,906,361</u>	<u>10,371,597</u>
<u>\$ 1,416,253</u>	<u>\$ 2,287,511</u>	<u>\$ 14,177,588</u>

TOWN OF NORFOLK, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General	Community Preservation
REVENUES		
Real estate and personal property taxes.....	\$ 24,742,914	\$ -
Motor vehicle and other excise taxes.....	1,418,970	-
Tax liens.....	67,448	1,779
Payments in lieu of taxes.....	67,020	-
Community preservation surcharges.....	-	549,210
Charges for services.....	-	-
Trash disposal.....	321,830	-
Intergovernmental	6,379,642	206,363
Penalties and interest on taxes.....	68,231	845
Licenses and permits.....	278,020	-
Fines and forfeitures.....	22,323	-
Departmental and other.....	239,626	-
Contributions.....	-	-
Investment income.....	9,550	981
	<u>33,615,574</u>	<u>759,178</u>
TOTAL REVENUES.....		
EXPENDITURES		
Current:		
General government.....	1,694,533	87,852
Public safety.....	3,901,314	-
Education.....	17,231,670	-
Public works.....	1,891,458	-
Health and human services.....	210,131	-
Culture and recreation.....	637,223	-
Pension benefits.....	2,965,118	-
Employee benefits.....	1,941,988	-
Property and liability insurance.....	260,524	-
Claims and judgments.....	15,913	-
State and county charges.....	373,396	-
Debt service:		
Principal.....	1,775,320	-
Interest.....	814,501	-
	<u>33,713,089</u>	<u>87,852</u>
TOTAL EXPENDITURES.....		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	<u>(97,515)</u>	<u>671,326</u>
OTHER FINANCING SOURCES (USES)		
Transfers in.....	321,588	-
Transfers out.....	(58,210)	(400,000)
	<u>263,378</u>	<u>(400,000)</u>
TOTAL OTHER FINANCING SOURCES (USES).....		
NET CHANGE IN FUND BALANCES.....	<u>165,863</u>	<u>271,326</u>
FUND BALANCES AT BEGINNING OF YEAR.....	<u>2,632,701</u>	<u>4,103,233</u>
FUND BALANCES AT END OF YEAR.....	<u>\$ 2,798,564</u>	<u>\$ 4,374,559</u>

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

Elementary School Construction	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 24,742,914
-	-	1,418,970
-	-	69,227
-	-	67,020
-	-	549,210
-	1,089,519	1,089,519
-	-	321,830
1,601,424	692,965	8,880,394
-	-	69,076
-	20,350	298,370
-	-	22,323
-	661,996	901,622
-	655,152	655,152
-	508	11,039
<u>1,601,424</u>	<u>3,120,490</u>	<u>39,096,666</u>
-	992,089	2,774,474
-	197,262	4,098,576
4,683,563	1,506,142	23,421,375
-	206,966	2,098,424
-	67,091	277,222
-	365,408	1,002,631
-	-	2,965,118
-	-	1,941,988
-	-	260,524
-	-	15,913
-	-	373,396
-	-	1,775,320
-	-	814,501
<u>4,683,563</u>	<u>3,334,958</u>	<u>41,819,462</u>
<u>(3,082,139)</u>	<u>(214,468)</u>	<u>(2,722,796)</u>
11,000	447,210	779,798
-	(321,588)	(779,798)
<u>11,000</u>	<u>125,622</u>	<u>-</u>
(3,071,139)	(88,846)	(2,722,796)
<u>4,363,252</u>	<u>1,995,207</u>	<u>13,094,393</u>
<u>\$ 1,292,113</u>	<u>\$ 1,906,361</u>	<u>\$ 10,371,597</u>

TOWN OF NORFOLK, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total governmental fund balances (page 17).....	\$	10,371,597
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....		63,144,404
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.....		2,243,077
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.....		(233,776)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds and notes payable.....		(21,528,751)
Landfill post-closure.....		(1,282,977)
Compensated absences.....		(500,000)
Net OPEB obligation.....		<u>(6,781,189)</u>
Net position of governmental activities (page 13).....	\$	<u><u>45,432,385</u></u>

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

TOWN OF NORFOLK, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds (page 19).....	\$	(2,722,796)
<p>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. These amounts represent the related activity of the current period.</p>		
Capital outlays.....		6,427,984
Depreciation.....		(2,534,817)
<p>Revenues in the statement of activities that do not provide current financial resources are fully deferred in the statement of revenues, expenditures and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>		
		(90,109)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts represent the related activity of the current period.</p>		
Bond maturities.....		1,775,320
<p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.....</p>		
		17,365
<p>Some expenses reported in the statement activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These amounts represent the net changes:</p>		
Landfill closure.....		66,128
Compensated absences.....		(65,000)
Net OPEB obligation.....		(1,223,449)
Changes in net position of governmental activities (page 15).....	\$	<u>1,650,626</u>

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

TOWN OF NORFOLK, MASSACHUSETTS
 PROPRIETARY FUND
 STATEMENT OF FUND NET POSITION
 JUNE 30, 2013

		Business-Type Activities <u>Enterprise Fund</u>
ASSETS		<u>Water</u>
Current assets:		
Cash and cash equivalents.....	\$	665,171
Restricted cash and cash equivalents.....		13,378
Receivables, net of allowance for uncollectible amounts:		
User charges.....		389,179
Special assessments.....		46,276
Utility liens.....		<u>19,088</u>
Total current assets.....		<u>1,133,092</u>
Noncurrent assets:		
Receivables, net of allowance for uncollectible amounts:		
Special assessments.....		260,417
Capital assets not being depreciated.....		2,582,098
Capital assets, net of accumulated depreciation.....		<u>14,789,565</u>
Total noncurrent assets.....		<u>17,632,080</u>
Total assets.....		<u>18,765,172</u>
LIABILITIES		
Current liabilities:		
Warrants payable.....		27,463
Accrued payroll.....		4,769
Accrued interest.....		64,082
Short-term notes payable.....		41,535
Long-term bonds and notes payable.....		<u>331,000</u>
Total current liabilities.....		<u>468,849</u>
Noncurrent liabilities:		
Net OPEB obligation.....		79,365
Long-term bonds and notes payable.....		<u>3,678,000</u>
Total noncurrent liabilities.....		<u>3,757,365</u>
Total liabilities.....		<u>4,226,214</u>
FUND NET POSITION		
Net investment in capital assets.....		13,334,506
Unrestricted.....		<u>1,204,452</u>
Total net position.....	\$	<u><u>14,538,958</u></u>

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

TOWN OF NORFOLK, MASSACHUSETTS
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Business-Type Activities Enterprise Fund</u>
	<u>Water</u>
OPERATING REVENUES	
Charges for services.....	\$ 1,392,550
Special assessments.....	11,581
Penalties and interest.....	9,385
Other.....	<u>93,081</u>
 TOTAL OPERATING REVENUES.....	 <u>1,506,597</u>
OPERATING EXPENSES	
Cost of service and administration.....	655,621
Depreciation.....	<u>379,611</u>
 TOTAL OPERATING EXPENSES.....	 <u>1,035,232</u>
 OPERATING INCOME (LOSS).....	 <u>471,365</u>
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental.....	21,782
Investment income.....	120
Interest expense.....	(173,889)
(Loss) on sale/disposal of capital assets.....	<u>(163,178)</u>
 TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	 <u>(315,165)</u>
 CHANGE IN FUND NET POSITION.....	 156,200
 FUND NET POSITION AT BEGINNING OF YEAR.....	 <u>14,382,758</u>
 FUND NET POSITION AT END OF YEAR.....	 \$ <u><u>14,538,958</u></u>

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

TOWN OF NORFOLK, MASSACHUSETTS
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

		Business-Type Activities Enterprise Fund
		Enterprise Water
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users.....	\$	1,596,272
Payments to vendors.....		(404,350)
Payments to employees.....		(217,670)
		974,252
NET CASH FROM OPERATING ACTIVITIES.....		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from the issuance of bonds and notes.....		41,535
Acquisition and construction of capital assets.....		(294,439)
Principal payments on bonds and notes.....		(391,670)
Interest expense.....		(159,342)
		(803,916)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....		
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income.....		120
NET CHANGE IN CASH AND CASH EQUIVALENTS.....		
		170,456
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
(Includes \$52,387 reported as restricted in the Water Enterprise Fund).....		508,093
CASH AND CASH EQUIVALENTS AT END OF YEAR		
(Includes \$13,378 reported as restricted in the Water Enterprise Fund).....	\$	678,549
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES		
Operating income (loss).....	\$	471,365
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Adjustments not requiring current cash flows:		
Depreciation.....		379,611
Change in net OPEB obligation.....		20,026
Effect of changes in operating assets and liabilities:		
Utility liens.....		527
User charges.....		22,522
Special assessments.....		66,626
Warrants payable.....		12,340
Accrued payroll.....		1,235
		502,887
NET CASH FROM OPERATING ACTIVITIES.....		
	\$	974,252
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Intergovernmental debt subsidies (MWPAT).....	\$	21,782

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

TOWN OF NORFOLK, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2013

ASSETS	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash and cash equivalents.....	\$ 19,649	\$ 237,278
Receivables, net of allowance for uncollectible amounts:		
Departmental and other.....	<u>-</u>	<u>7,228</u>
Total assets.....	<u>19,649</u>	<u>244,506</u>
 LIABILITIES		
Warrants payable.....	-	736
Accrued payroll.....	-	3,142
Liabilities due depositors.....	<u>-</u>	<u>240,628</u>
Total liabilities.....	<u>-</u>	<u>244,506</u>
 NET POSITION		
Held in trust for other purposes.....	<u>\$ 19,649</u>	<u>\$ -</u>

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

TOWN OF NORFOLK, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Net investment income:	
Interest.....	\$ 42
NET POSITION AT BEGINNING OF YEAR.....	<u>19,607</u>
NET POSITION AT END OF YEAR.....	<u><u>\$ 19,649</u></u>

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

TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

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

B. Reporting Entity

The Town of Norfolk, Massachusetts (Town) is a municipal corporation that is governed by an elected Board of Selectmen.

For financial reporting purposes, the basic financial statements include all funds, organizations, account groups, agencies, boards, commissions and institutions that are not legally separate from the Town.

The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and/or significance of their relationship with the Town are such that exclusion would cause the Town's basic financial statements to be misleading or incomplete. It has been determined that there are no component units that require inclusion in the basic financial statements.

Joint Ventures

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

The Town participates in the following joint ventures with other municipalities to pool resources and share the costs, risks and rewards of providing goods and services to venture participants directly, or for the benefit of the general public or specified recipients.

The King Philip Regional High School

The King Philip Regional High School is governed by a nine member school committee consisting of three elected representatives from the Town. The Town is indirectly liable for the King Philip Regional High School debt and other expenditures and is assessed annually for its share of operating and capital costs. For the fiscal year ended June 30, 2013, the Town's assessment was \$7,428,096. Separate financial statements may be obtained by writing to the Treasurer of the King Philip Regional High School at 201 Franklin Street, Wrentham, MA 02093.

Tri-County Regional Vocational School

The Tri-County Regional Vocational School is governed by a fourteen member school committee consisting of one elected representative from the Town. The Town is indirectly liable for the Tri-County Regional Vocational School debt and other expenditures and is assessed annually for its share of operating and capital costs. For the fiscal year ended June 30, 2013, the Town's assessment was \$505,246. Separate financial statements may be obtained by writing to the Treasurer of the Tri-County Regional Vocational School at 147 Pond Street, Franklin, MA 02038.

TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

C. Implementation of New Accounting Principles

For the year ending June 30, 2013, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

GASB Statement No. 63 identifies net position as the residual of all other elements presented in a statement of financial position, which amends the net asset reporting requirements of Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and other pronouncements, by renaming net assets to net position and defining net position to incorporate the effects of deferred inflows and deferred outflows.

The implementation of GASB Statement No.’s 60, 61 and 62 had no reporting impact for the Town.

D. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are primarily supported by user fees.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds 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. Nonmajor funds are aggregated and displayed in a single column. Fiduciary funds are reported by fund type.

E. Measurement Focus, Basis of Accounting and Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal 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.

TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

The statement of activities demonstrates the degree to which the direct expenses of a 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 the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a specific function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a specific function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

Except for charges between the general fund and enterprise funds, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental funds financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60-days after the end of the fiscal year. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is used to account for and report all financial resources not accounted for and reported in another fund.

The *community preservation fund* is a special revenue fund used to account for the 3% local real estate tax surcharge on nonexempt property (and matching state trust fund distribution) that can be used for open space, historic resource and affordable housing purposes. Property exempt from the surcharge consists of the first \$100,000 of all residential property and also property owned by low-income residents or seniors with low or moderate income as defined by Massachusetts Department of Revenue (DOR) guidelines. Disbursements from this fund must originate from the Community Preservation Committee and be approved by Town Meeting.

The *elementary school construction fund* is a capital project fund used to account for financial resources to be used for the construction of the new Elementary School.

TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs and benefit the government or its citizenry.

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The following major proprietary fund is reported:

The *water enterprise fund* is used to account for the Town's water activities.

Fiduciary funds financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the government's programs.

The following fiduciary fund types are reported:

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefits individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a custodial capacity. Such assets consist primarily of performance bonds and bid deposits. Agency funds do not present the results of operations or have a measurement focus.

F. Deposits and Investments

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

G. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

Real Estate Taxes, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. The tax calculation for fiscal year 2013 was estimated fair market value multiplied by \$17.10 per \$1,000 of value. Taxes are due quarterly starting on August 1st and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year of the levy. Real estate tax liens are processed approximately six months after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

Motor Vehicle and Other Excise Taxes

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles to the Town. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

Community Preservation Surcharges

Community preservation surcharges are levied annually and at a rate of 3% of residents' real estate tax bills with exemptions for the first \$100,000 of residential property and property owned by qualified persons with low income and seniors (60+) with low or moderate income as defined by DOR guidelines. The surcharge is due with the real estate tax on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Overdue surcharges are included on the tax liens processed on delinquent real estate taxes. Surcharges are recorded as receivables in the fiscal year of the levy.

User Charges

Water user charges are levied semi-annually based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Utility liens are processed approximately six months after the end of the fiscal year and are included as a lien on the property owner's tax bill. Water charges are recorded as receivables in the fiscal year of the levy.

Special Assessments

Special assessments consist of water and sewer system betterments and are recorded as receivables in the fiscal year accrued.

Intergovernmental

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

TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

H. Allowance for Uncollectible Accounts

The allowance for uncollectible accounts is estimated based on historical trends and specific account analysis for the following accounts receivable:

- Personal property taxes
- Motor vehicle and other excise taxes
- Departmental and other

The allowances for uncollectible accounts are not material in total to the basic financial statements and therefore are not reported.

The following types of accounts receivable are secured via the lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible accounts is not reported.

- Real estate taxes
- Community preservation surcharges
- User charges
- Special assessments

Intergovernmental receivables are considered 100% collectible.

I. Inventories

Government-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements and therefore are not reported.

J. Restricted Assets

Government-Wide and Fund Financial Statements

Assets are reported as restricted when limitations on their use change the nature of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

K. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which consist of land, construction-in-progress, land improvements, buildings and improvements, machinery and equipment, vehicles, and infrastructure (e.g., roads, water mains, and similar items), are reported in the applicable governmental or business-type activities column of the government-wide financial statements.

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation.

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

TOWN OF NORFOLK, MASSACHUSETTS
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Capital assets (excluding land and construction-in-progress) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

Capital Asset Type	Estimated Useful Life (in years)
Land improvements.....	30
Buildings and improvements.....	20 - 50
Machinery and equipment.....	5 - 25
Vehicles.....	5 - 6
Infrastructure.....	20 - 50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Funds Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

L. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are not eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

M. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds.

Government-Wide Financial Statements

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Fund Financial Statements

Transfers between and within funds are not eliminated from the individual fund statements and are reported as transfers in and transfers out.

N. Deferred Revenue

Deferred revenue at the fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide financial statements (full accrual).

O. Net Position and Fund Balances

Government-Wide Financial Statements and Proprietary Fund Financial Statements (Net Position)

Net position is reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has been "restricted" for the following:

"Community preservation" represents amounts restricted for affordable housing, open space and historic purposes.

"Debt service" represents net premiums from the issuance of school construction bonds restricted for the future payment of long-term debt service costs associated with school construction. This amount will be amortized over the next 18 fiscal years.

"Permanent funds – expendable" represents amounts held in trust for which the expenditures are restricted by various trust agreements.

"Permanent funds – nonexpendable" represents amounts held in trust for which only investment earnings may be expended.

"Other specific purposes" represents restrictions placed on assets from outside parties.

Governmental Funds Financial Statements (Fund Balances)

The following fund balance classifications describe the relative strength of the spending constraints:

Nonspendable – represents amounts that cannot be spent either because they are in nonspendable form (i.e., prepaid amounts) or because they are legally or contractually required to be maintained intact (i.e., principal of permanent fund).

Restricted – represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – represents amounts that can be used only for specific purposes imposed by a formal action of Town Meeting, which is the highest level of decision-making authority for the Town. Committed amounts may be established, modified, or rescinded only through actions approved by Town Meeting.

TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
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Assigned – represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the Town’s structure, only authorized assignments for non-contractual encumbrances can be made by individual department heads.

Unassigned – represents the residual fund balance for the General Fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

Encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

P. Long-term Debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statements of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Funds Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources when the debt is issued. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

Q. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Investment income from the proprietary fund is retained in the fund.

R. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Funds Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities.

TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

S. *Post Retirement Benefits*

In addition to providing pension benefits, and as more fully described in Note 11, the Town provides health, dental and life insurance coverage for current and future retirees and their spouses.

Government-Wide and Proprietary Fund Financial Statements

Accumulated post retirement benefits are reported as liabilities and expensed as incurred. Annual expense is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with the parameters set forth in GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Fund Financial Statements

Post retirement benefits are recognized as expenditures by recording (on a pay-as-you-go basis) the employer's share of insurance premiums in the general fund in the fiscal year paid.

T. *Use of Estimates*

Government-Wide and Fund Financial Statements

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

U. *Total Column*

Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column presented on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. *Budgetary Information*

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting vote. The Finance Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any appropriation at the functional level, adopts the expenditure budget by majority vote.

Increases to the original budget subsequent to Annual Town Meeting require Special Town Meeting approval.

TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
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The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year.

Generally, expenditures may not exceed the level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the Town is statutorily required to pay debt service, regardless of whether such amounts are appropriated.

An annual budget is adopted for the general fund and community preservation fund in conformity with the guidelines described above. The original fiscal year 2013 approved budget for the general fund authorized \$32,745,156 in appropriations and other amounts to be raised. During fiscal year 2013, total appropriations were increased by \$742,214. The original fiscal year 2013 approved budget for the community preservation fund authorized \$1,250,000 in appropriations and other amounts to be raised. During fiscal year 2013, total appropriations were increased by \$79,900.

The Accountant’s office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

B. Fund Deficits

At June 30, 2013, the following temporary fund deficits exist:

Fund	Amount	Funding Source
Fire truck.....	\$ 239,991	Issuance of short-term debt
Police cruiser.....	65,463	Issuance of short-term debt
Public safety building.....	18,263	Issuance of short-term debt

NOTE 3 - DEPOSITS AND INVESTMENTS

The municipal finance laws of the Commonwealth authorize the Town to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. treasury or agency repurchase agreements with maturities of not more than 90 days; money market accounts; and the state treasurer’s investment pool – the Massachusetts Municipal Depository Trust (MMDT).

The MMDT meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee. The reported value of the pool is the same as the fair value of pool shares.

A cash and investment pool is maintained that is available for use by all funds with unrestricted cash and investments. The deposits and investments of permanent funds and private purpose trust funds are held separately from other Town funds.

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town’s deposits may not be recovered. The Town’s policy is to rely on FDIC and DIF insurance coverage. As of June 30, 2013, \$4,642,830 of the Town’s bank balance of \$9,747,622 was uninsured and uncollateralized and, therefore, exposed to custodial credit risk.

TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Investments Summary

The Town's investments at June 30, 2013 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
<u>Debt Securities:</u>					
U.S. Treasuries.....	\$ 306,196	\$ 75,188	\$ 231,008	\$ -	\$ -
U.S. Agencies.....	456,243	55,608	301,058	89,802	9,775
Money market mutual funds.....	155,576	155,576	-	-	-
External investment pools.....	<u>1,600,667</u>	<u>1,600,667</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total debt securities.....	\$ <u>2,518,682</u>	\$ <u>1,887,039</u>	\$ <u>532,066</u>	\$ <u>89,802</u>	\$ <u>9,775</u>

Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Town does not have a policy for interest rate risk of debt securities.

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk of investments. As of June 30, 2013, the Town's investments were not exposed to custodial credit risk.

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Town does not have a policy for credit risk of debt securities. As of June 30, 2013, the credit quality ratings of the Town's debt securities were unrated by national credit rating organizations.

Investments - Concentration of Credit Risk

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town does not have a policy for concentration of credit risk of investments. As of June 30, 2013, the Town was not exposed to concentration of credit risk.

TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4 - ACCOUNTS RECEIVABLE

At June 30, 2013, receivables for the individual major governmental funds and nonmajor governmental and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 316,882	\$ -	\$ 316,882
Real estate tax deferrals.....	54,558	-	54,558
Tax liens.....	655,429	-	655,429
Motor vehicle and other excise taxes.....	131,509	-	131,509
Community preservation surcharges.....	5,164	-	5,164
Special assessments.....	46,235	-	46,235
Departmental and other.....	130,519	-	130,519
Intergovernmental.....	<u>1,292,519</u>	<u>-</u>	<u>1,292,519</u>
	<u>\$ 2,632,815</u>	<u>\$ -</u>	<u>\$ 2,632,815</u>

At June 30, 2013, receivables for the water enterprise fund consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Utility liens.....	\$ 19,088	\$ -	\$ 19,088
User charges.....	389,179	-	389,179
Special assessments.....	<u>306,693</u>	<u>-</u>	<u>306,693</u>
	<u>\$ 714,960</u>	<u>\$ -</u>	<u>\$ 714,960</u>

TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
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Governmental funds report *deferred revenue* in connection with receivables and other assets (tax foreclosures) for revenues that are not considered to be available to liquidate liabilities of the current period. The following identifies the various components of *deferred revenue* reported in the governmental funds:

<u>Receivable type:</u>	General Fund	Community Preservation Fund	Total
Real estate and personal property taxes.....	\$ 238,221	\$ -	\$ 238,221
Real estate tax deferrals.....	54,558	-	54,558
Tax liens.....	644,913	10,516	655,429
Motor vehicle and other excise taxes.....	131,509	-	131,509
Community preservation surcharges.....	-	5,164	5,164
Special assessments.....	46,235	-	46,235
Intergovernmental (state school construction).....	650,000	-	650,000
Tax foreclosures.....	461,961	-	461,961
Total.....	<u>\$ 2,227,397</u>	<u>\$ 15,680</u>	<u>\$ 2,243,077</u>

H. Olive Day School

The Commonwealth has approved school construction contract assistance to the Town. The assistance program, which is administered by the Massachusetts School Building Authority (MSBA), provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2013, \$325,302 of such assistance was received. Approximately \$651,000 will be received in future fiscal years. Of this amount, approximately \$1,000 represents reimbursement of long-term interest costs, and approximately \$650,000 represents reimbursement of approved construction costs. Accordingly, a \$650,000 intergovernmental receivable and corresponding deferred revenue have been reported in the governmental funds financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

Freeman-Centennial Elementary School

The Commonwealth has approved grants for school construction assistance. The assistance program, which is administered by the MSBA, provides resources for allowable costs related to the school construction costs. The MSBA has approved a maximum grant totaling \$15,861,760 for the construction costs related to the Freeman-Centennial elementary school addition constructed by the Town. The grant amount represents 53.16% of the total state approved construction cost of \$29,837,772. At June 30, 2013, approximately \$33,000,000 has been spent on the project and approximately \$14,700,000 in MSBA grants has been received and/or accrued as revenue. Approximately \$1,162,000 will be received in future fiscal years. A \$477,458 intergovernmental receivable is reported in the elementary school construction major governmental fund's financial statements for costs incurred to date but not reimbursed as of June 30, 2013.

TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 10,022,315	\$ -	\$ -	\$ 10,022,315
Construction in progress.....	28,217,556	3,043,111	-	31,260,667
Total capital assets not being depreciated.....	<u>38,239,871</u>	<u>3,043,111</u>	<u>-</u>	<u>41,282,982</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	1,435,031	-	-	1,435,031
Buildings and improvements.....	22,026,091	41,335	-	22,067,426
Machinery and equipment.....	8,934,967	1,798,096	(1,127,213)	9,605,850
Vehicles.....	1,242,083	1,439,231	(216,021)	2,465,293
Infrastructure.....	27,735,309	106,211	-	27,841,520
Total capital assets being depreciated.....	<u>61,373,481</u>	<u>3,384,873</u>	<u>(1,343,234)</u>	<u>63,415,120</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(524,198)	(49,492)	-	(573,690)
Buildings and improvements.....	(10,145,489)	(651,284)	-	(10,796,773)
Machinery and equipment.....	(7,828,406)	(368,473)	1,127,213	(7,069,666)
Vehicles.....	(987,289)	(974,741)	216,021	(1,746,009)
Infrastructure.....	(20,876,733)	(490,827)	-	(21,367,560)
Total accumulated depreciation.....	<u>(40,362,115)</u>	<u>(2,534,817)</u>	<u>1,343,234</u>	<u>(41,553,698)</u>
Total capital assets being depreciated, net.....	<u>21,011,366</u>	<u>850,056</u>	<u>-</u>	<u>21,861,422</u>
Total governmental activities capital assets, net.....	<u>\$ 59,251,237</u>	<u>\$ 3,893,167</u>	<u>\$ -</u>	<u>\$ 63,144,404</u>

TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,142,571	\$ -	\$ -	\$ 1,142,571
Construction in progress.....	2,148,312	255,236	(964,021)	1,439,527
	3,290,883	255,236	(964,021)	2,582,098
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	556,765	-	-	556,765
Machinery and equipment.....	1,572,809	-	-	1,572,809
Vehicles.....	71,401	39,203	-	110,604
Infrastructure.....	18,910,724	800,843	-	19,711,567
	21,111,699	840,046	-	21,951,745
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(167,586)	(11,135)	-	(178,721)
Machinery and equipment.....	(1,083,907)	(54,997)	-	(1,138,904)
Vehicles.....	(69,361)	(4,627)	-	(73,988)
Infrastructure.....	(5,461,715)	(308,852)	-	(5,770,567)
	(6,782,569)	(379,611)	-	(7,162,180)
Total capital assets being depreciated, net.....	14,329,130	460,435	-	14,789,565
Total business-type activities capital assets, net.....	\$ 17,620,013	\$ 715,671	\$ (964,021)	\$ 17,371,663

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General government.....	\$ 64,788
Public safety.....	617,420
Education.....	493,786
Public works.....	1,018,776
Health and human services.....	32,666
Culture and recreation.....	307,381
	2,534,817

Total depreciation expense - governmental activities..... \$ 2,534,817

Business-Type Activities:

Water.....	\$ 379,611
	379,611

TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 6 - INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2013, are summarized as follows:

Transfers Out:	Transfers In:			
	General Fund	Elementary School Construction Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 11,000	\$ 47,210	\$ 58,210 (1)
Community Preservation Fund.....	-	-	400,000	400,000 (2)
Nonmajor Governmental Funds.....	321,588	-	-	321,588 (3)
	\$ 321,588	\$ 11,000	\$ 447,210	\$ 779,798

- (1) Represents budgeted transfers for BAN pay downs (\$41,320) and to the Chapter 40R special revenue fund (\$16,890)
- (2) Represents budgeted transfers from the community preservation fund to fund the affordable housing trust fund
- (3) Represents funding of the fiscal year 2013 operating budget from the ambulance receipts reserved fund (\$280,000) and other various special revenue funds (\$39,217). Also represents an unbudgeted transfer from the conservation commission consulting special revenue fund (\$2,371).

NOTE 7 - SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue anticipation notes (RAN) or tax anticipation notes (TAN).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BAN) or grant anticipation notes (GAN).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and water enterprise fund, respectively.

TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Details related to the short-term debt activity for the fiscal year ended June 30, 2013 are as follows:

Notes Payable - Governmental Funds

Type	Description	Origination Date	Maturity Date	Interest Rate %	Balance at 6/30/2012	Increases	Decreases	Balance at 6/30/2013
BAN	School Feasibility Study.....	8/26/11	7/2/12	0.90	239,000	-	(239,000)	-
BAN	Police Cruisers.....	6/15/12	4/23/13	0.55	87,200	-	(87,200)	-
BAN	Public Safety Design.....	4/23/12	4/23/13	0.50	30,000	-	(30,000)	-
BAN	Vehicles.....	2/27/13	2/27/14	0.55	-	245,031	-	245,031
BAN	Police Cruisers.....	4/23/13	4/23/14	0.60	-	56,880	-	56,880
BAN	Public Safety Design.....	4/23/13	4/23/14	0.60	-	30,000	-	30,000
Total.....					\$ 356,200	\$ 331,911	\$ (356,200)	\$ 331,911

Notes Payable - Enterprise Funds

Type	Description	Origination Date	Maturity Date	Interest Rate %	Balance at 6/30/2012	Increases	Decreases	Balance at 6/30/2013
BAN	Vehicles.....	2/27/13	2/27/14	0.55	\$ -	\$ 41,535	\$ -	\$ 41,535

NOTE 8 - LONG-TERM OBLIGATIONS

The following represents a summary of changes that occurred in long-term obligations during the fiscal year ended June 30, 2013:

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013	Due in One Year
Governmental Activities:					
Bonds and notes payable.....	\$ 23,304,071	\$ -	\$ (1,775,320)	\$ 21,528,751	\$ 1,530,141
Net OPEB obligation.....	5,557,740	1,652,779	(429,330)	6,781,189	-
Landfill post-closure care.....	1,349,105	-	(66,128)	1,282,977	77,751
Compensated absences.....	435,000	65,000	-	500,000	337,000
Total.....	\$ 30,645,916	\$ 1,717,779	\$ (2,270,778)	\$ 30,092,917	\$ 1,944,892
Business-type Activities:					
Bonds and notes payable.....	\$ 4,406,415	\$ -	\$ (397,415)	\$ 4,009,000	\$ 331,000
Net OPEB obligation.....	59,339	26,915	(6,889)	79,365	-
Total.....	\$ 4,465,754	\$ 26,915	\$ (404,304)	\$ 4,088,365	\$ 331,000

The governmental activities long-term liabilities are generally liquidated by the general fund.

TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 9 - LONG-TERM DEBT

Details related to the outstanding indebtedness at June 30, 2013 and the debt service requirements are as follows:

Bonds and Notes Payable - Governmental Funds

Project	Maturity Date	Interest Rate %	Outstanding at June 30, 2012	Additions	Reductions	Outstanding at June 30, 2013
Building Construction - Refunding.....	01/15/13	3.80 - 4.10	\$ 239,000	\$ -	\$ (239,000)	\$ -
Building Construction - Library.....	01/15/23	2.00 - 4.50	1,452,000	-	(133,000)	1,319,000
Building Addition - Highway.....	01/15/22	2.00 - 4.40	100,000	-	(10,000)	90,000
Engineering Services - Library.....	01/15/22	2.00 - 4.40	170,000	-	(18,000)	152,000
Sewer.....	01/15/23	2.00 - 4.50	99,000	-	(9,000)	90,000
Underground Utilities.....	01/15/22	3.00 - 4.20	450,000	-	(45,000)	405,000
Fire Truck.....	01/15/15	3.00 - 4.00	102,000	-	(34,000)	68,000
MWPAT.....	07/15/25	2.00	174,671	-	(10,920)	163,751
Municipal Purpose Loan - Refunding.....	11/15/17	3.98	395,400	-	(71,400)	324,000
Municipal Purpose Loan.....	08/15/29	2.00 - 3.00	1,283,000	-	(156,000)	1,127,000
Building Construction - School.....	03/15/31	2.00 - 5.00	14,250,000	-	(750,000)	13,500,000
Departmental Equipment - Ambulance.....	03/15/16	2.00 - 5.00	155,000	-	(40,000)	115,000
Architectural Services Building.....	03/15/15	2.00 - 5.00	90,000	-	(30,000)	60,000
School Project/ Architectural Services Building.....	04/01/32	2.25 - 3.13	4,344,000	-	(229,000)	4,115,000
Total governmental funds.....			<u>\$ 23,304,071</u>	<u>\$ -</u>	<u>\$ (1,775,320)</u>	<u>\$ 21,528,751</u>

Debt service requirements for principal and interest in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2014.....	\$ 1,530,141	\$ 760,736	\$ 2,290,877
2015.....	1,529,366	723,361	2,252,727
2016.....	1,454,595	683,213	2,137,808
2017.....	1,406,829	644,053	2,050,882
2018.....	1,401,068	603,472	2,004,540
2019.....	1,288,312	561,946	1,850,258
2020.....	1,213,561	523,286	1,736,847
2021.....	1,213,815	484,080	1,697,895
2022.....	1,214,074	440,997	1,655,071
2023.....	1,142,338	394,093	1,536,431
2024.....	1,004,607	350,283	1,354,890
2025.....	1,004,882	312,518	1,317,400
2026.....	1,005,163	274,658	1,279,821
2027.....	991,000	229,526	1,220,526
2028.....	991,000	184,510	1,175,510
2029.....	979,000	139,720	1,118,720
2030.....	979,000	95,182	1,074,182
2031.....	965,000	50,938	1,015,938
2032.....	215,000	6,714	221,714
Total.....	<u>\$ 21,528,751</u>	<u>\$ 7,463,286</u>	<u>\$ 28,992,037</u>

TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Bonds Payable – Water Enterprise Fund

Project	Maturity Date	Interest Rate %	Outstanding at June 30, 2012	Additions	Reductions	Outstanding at June 30, 2013
Water Mains - Refunding.....	01/15/13	3.80 - 4.10	\$ 55,000	\$ -	\$ (55,000)	\$ -
Water Mains - Refunding.....	01/15/13	3.80 - 4.10	11,000	-	(11,000)	-
Water Storage Tank Construction.....	01/15/23	2.00 - 4.50	1,086,000	-	(99,000)	987,000
Water Treatment Facility.....	01/15/23	2.00 - 4.50	17,000	-	(2,000)	15,000
Water Mains.....	01/15/23	2.00 - 4.50	183,000	-	(17,000)	166,000
Water Mains.....	01/15/23	2.00 - 4.50	62,000	-	(6,000)	56,000
Water Mains.....	01/15/18	2.00 - 4.20	6,000	-	(1,000)	5,000
Water Mains.....	01/15/23	2.00 - 4.50	160,000	-	(15,000)	145,000
MWPAT.....	08/01/22	3.00 - 5.00	341,415	-	(26,415)	315,000
Water Mains.....	01/15/22	3.00 - 4.20	470,000	-	(40,000)	430,000
Water Mains.....	01/15/15	3.00 - 4.00	3,000	-	(1,000)	2,000
Water Mains.....	08/15/29	2.00 - 3.00	1,682,000	-	(104,000)	1,578,000
Well.....	03/15/31	2.00 - 5.00	330,000	-	(20,000)	310,000
Total water enterprise fund.....			<u>\$ 4,406,415</u>	<u>\$ -</u>	<u>\$ (397,415)</u>	<u>\$ 4,009,000</u>

Debt service requirements for principal and interest in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2014.....	\$ 331,000	\$ 155,018	\$ 486,018
2015.....	347,000	143,816	490,816
2016.....	356,000	131,830	487,830
2017.....	363,000	118,960	481,960
2018.....	368,000	105,362	473,362
2019.....	299,000	92,455	391,455
2020.....	314,000	80,034	394,034
2021.....	314,000	67,161	381,161
2022.....	309,000	53,741	362,741
2023.....	256,000	40,391	296,391
2024.....	94,000	29,982	123,982
2025.....	99,000	26,122	125,122
2026.....	104,000	22,062	126,062
2027.....	104,000	17,752	121,752
2028.....	109,000	13,248	122,248
2029.....	111,000	8,508	119,508
2030.....	116,000	3,621	119,621
2031.....	15,000	750	15,750
Total.....	<u>\$ 4,009,000</u>	<u>\$ 1,110,813</u>	<u>\$ 5,119,813</u>

TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

The Town receives subsidy assistance from the Massachusetts Water Pollution Abatement Trust (MWPAT). Principal and interest on the outstanding bonds for MWPAT is subsidized over the life of the bonds to assist the Town in the repayment of this future debt. During fiscal year 2013, the Town’s subsidy totaled approximately \$22,000. Future subsidies total approximately \$174,000. The amount of MWPAT bonds outstanding at June 30, 2013, totaled \$478,751.

Authorized and Unissued Debt

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2013, the Town had the following authorized and unissued debt:

Purpose	Amount
School feasibility study.....	\$ 500,000
Solar electricity generating facility.....	500,000
Vehicles.....	286,566 *
Public safety design.....	145,000 *
Police cruisers.....	90,000 *
Total.....	\$ 1,521,566

* At June 30, 2013, BANs totaling \$373,446 were outstanding related to these authorizations

Legal Debt Margin

State statutes limit the amount of general obligation debt the Town may issue to 5.0% of its total assessed valuation. The Town’s current legal debt margin was approximately \$57,700,000.

NOTE 10 - LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

State and federal laws and regulations required the Town to close its old landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site after closure. The Town had operated a solid waste landfill that ceased operations in 1990 and, accordingly, was subsequently capped and funded via long-term debt. The Town has reflected \$1,282,977 as the estimate of the landfill post-closure care liability at June 30, 2013. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS

Plan Description – The Town provides health, dental and life insurance coverage for its retirees and their survivors (hereinafter referred to as the “Plan”) as a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process. The Plan does not issue a stand alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

The number of participants as of July 1, 2012, the latest actuarial valuation, is as follows:

Active employees.....	246
Retired employees.....	<u>74</u>
Total.....	<u><u>320</u></u>

Funding Policy - The contribution requirements of Plan members and the Town are established and may be amended by the Town. The required health insurance contribution rates of Plan members and the Town vary by health plan and range from 37% - 50% and 63% - 50%, respectively. The required dental insurance contribution rate of Plan members is 100%. The Plan members and the Town contribute 42% and 58%, respectively, towards a \$5,000 term life insurance policy. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

Annual OPEB Cost and Net OPEB Obligation - The Town's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with the parameters set forth in GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

	Amount
Annual required contribution.....	\$ 1,806,305
Interest on net OPEB obligation.....	224,683
Adjustment to annual required contribution.....	<u>(351,294)</u>
Annual OPEB cost.....	1,679,694
Contributions made.....	<u>(436,219)</u>
Increase in net OPEB obligation.....	1,243,475
Net OPEB obligation at beginning of year.....	<u>5,617,079</u>
Net OPEB obligation at end of year.....	<u><u>\$ 6,860,554</u></u>

Trend information regarding annual OPEB cost, the percentage of the annual OPEB cost contributed and the net OPEB obligation is as follows:

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2011.....	\$ 1,709,365	23.6%	4,348,449
June 30, 2012.....	1,690,433	25.0%	5,617,079
June 30, 2013.....	1,679,694	26.0%	6,860,554

TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Funded Status and Funding Progress – The funded status of the Plan at July 1, 2012, the most recent actuarial valuation, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/12	\$ -	\$ 15,374,719	\$ 15,374,719	-	15,109,154	101.8%

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

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

The significant methods and assumptions as of the latest actuarial valuation are as follows:

Valuation date:	July 1, 2012
Actuarial cost method:	Projected unit credit
Amortization method:	Level dollar
Remaining amortization period:	26 years at July 1, 2012 (closed period)
Interest discount rate:	4.0%
Healthcare/Medical cost trend rate:	Health – 6.0% in fiscal year 2013, decreasing by 1.0% to an ultimate level of 5.0%
	Dental – 5.5% in fiscal year 2013, decreasing by 0.5% to an ultimate level of 5.0%
Projected salary increases:	3.0% annually

TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Allocation of AOPEBC – AOPEBC costs were allocated to the Town’s functions as follows:

Governmental Activities:	
General government.....	\$ 131,108
Public safety.....	391,707
Education.....	953,076
Public works.....	106,198
Health and human services.....	13,406
Culture and recreation.....	<u>57,284</u>
 Total AOPEBC - governmental activities.....	 <u>1,652,779</u>
 Business-Type Activities:	
Water.....	<u>26,915</u>
 Total AOPEBC.....	 <u>\$ 1,679,694</u>

NOTE 12 – FUND BALANCES

The fund balance constraints listed in aggregate in the Governmental Funds Balance Sheet are detailed as follows:

	<u>General</u>	<u>Community Preservation</u>	<u>Elementary School Construction</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:					
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ 105,428	\$ 105,428
Restricted:					
Debt service.....	183,159	-	-	-	183,159
Community preservation.....	-	4,374,559	-	-	4,374,559
School construction.....	-	-	1,292,113	-	1,292,113
Kunde conservation trust.....	-	-	-	301,581	301,581
Kunde library conservation trust.....	-	-	-	169,771	169,771
Affordable housing.....	-	-	-	298,412	298,412
School lunch.....	-	-	-	6,849	6,849
General government.....	-	-	-	360,589	360,589
Public safety.....	-	-	-	61,367	61,367
Education.....	-	-	-	534,167	534,167
Public works.....	-	-	-	161,803	161,803
Health and human services.....	-	-	-	264	264
Culture and recreation.....	-	-	-	229,847	229,847
 Sub-total - Restricted.....	 <u>183,159</u>	 <u>4,374,559</u>	 <u>1,292,113</u>	 <u>2,124,650</u>	 <u>7,974,481</u>
Committed:					
Subsequent year's expenditures.....	350,000	-	-	-	350,000
Continuing appropriations.....	71,328	-	-	-	71,328
 Sub-total - Committed.....	 <u>421,328</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>421,328</u>
Assigned:					
Encumbrances.....	402,926	-	-	-	402,926
 Unassigned.....	 <u>1,791,151</u>	 <u>-</u>	 <u>-</u>	 <u>(323,717)</u>	 <u>1,467,434</u>
 Total fund balances.....	 <u>\$ 2,798,564</u>	 <u>\$ 4,374,559</u>	 <u>\$ 1,292,113</u>	 <u>\$ 1,906,361</u>	 <u>\$ 10,371,597</u>

TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 13 - STABILIZATION FUNDS

The Town maintains a general stabilization fund that was established under MGL Chapter 40, Section 5B. Appropriations in and out of the stabilization fund require two-thirds vote of Town meeting. Investment income is retained by the fund. The balance of the stabilization fund at June 30, 2013 totals \$1,120,400 and is reported as unassigned fund balance in the general fund.

NOTE 14 - OPERATING LEASES

The Town (Lessor) has entered into operating lease agreements with various wireless communication companies related to the use of the Town’s water towers. During fiscal year 2013, the Town received approximately \$93,000 in lease payments, which are recorded as other revenue in the water enterprise fund.

Lease payment requirements in future fiscal years are as follows:

Fiscal Year	Payment
2014.....	\$ 95,952
2015.....	13,431

NOTE 15 - RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town participates in premium-based health care and workers’ compensation plans for its employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

NOTE 16 - PENSION PLAN

Plan Description – The Town contributes to the Norfolk County Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the Norfolk County Retirement Board. Substantially all employees of the Town are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System.

Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System provides retirement, disability and death benefits to plan members and beneficiaries. Cost-of-living adjustments granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth’s state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be authorized by the Norfolk County Retirement Board and are borne by the System. The System issues a publicly available report in accordance with guidelines established by the Commonwealth’s Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 480 Neponset Street, Canton, Massachusetts, 02021.

Funding Policy – Chapter 32 of MGL governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll. The Town’s contributions to the System for the fiscal years ended June 30, 2013, 2012, and 2011 were \$1,334,335, \$1,272,286, and \$1,271,909, respectively, which equaled its required contribution for each fiscal year.

TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 17 - MASSACHUSETTS TEACHERS RETIREMENT SYSTEM

Public school teachers and certain administrators are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$1,696,000 for the fiscal year ended June 30, 2013.

NOTE 18 - CONTINGENCIES

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2013, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2013.

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 for the fiscal year ended June 30, 2013, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

NOTE 19 - FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

The GASB has issued the following statements:

- Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will significantly impact the basic financial statements.
- Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will impact the basic financial statements.
- Statement No. 67, *Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25*, which is required to be implemented during fiscal year 2014. Management has determined that the implementation of this Statement will not impact the basic financial statements.
- Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, which is required to be implemented during fiscal year 2015. The implementation of this Statement will require the Town recognize its long-term obligation for pension benefits as a liability, more comprehensively measure the annual costs of pension benefits and expands note disclosures.
- Statement No. 69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented during fiscal year 2015. Management does not believe the implementation of this Statement will impact the basic financial statements.
- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will impact the basic financial statements.

This information is an integral part of the accompanying financial statements.

Required Supplementary Information

TOWN OF NORFOLK, MASSACHUSETTS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(NON-GAAP BUDGETARY BASIS)
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real estate and personal property taxes.....	\$ -	\$ 24,941,988	\$ -	\$ 24,941,988
Motor vehicle and other excise taxes.....	-	1,402,000	-	1,402,000
Tax liens.....	-	-	-	-
Payments in lieu of taxes.....	-	63,700	-	63,700
Trash disposal.....	-	392,020	-	392,020
Intergovernmental.....	-	4,619,063	-	4,619,063
Penalties and interest on taxes.....	-	82,000	-	82,000
Licenses and permits.....	-	410,000	-	410,000
Fines and forfeitures.....	-	24,000	-	24,000
Departmental and other.....	-	296,385	-	296,385
Investment income.....	-	12,000	-	12,000
TOTAL REVENUES.....	-	32,243,156	-	32,243,156
EXPENDITURES				
Current:				
General government.....	34,255	2,274,048	(252,745)	2,055,558
Public safety.....	86,901	3,753,424	203,397	4,043,722
Education.....	186,194	17,496,686	8,000	17,690,880
Public works.....	51,021	1,712,737	318,843	2,082,601
Health and human services.....	-	157,916	70,866	228,782
Culture and recreation.....	-	551,210	110,050	661,260
Pension benefits.....	-	1,339,335	(45,114)	1,294,221
Employee benefits.....	5,000	2,146,073	(193,886)	1,957,187
Property and liability insurance.....	-	285,000	(10,000)	275,000
Claims and judgments.....	-	-	15,913	15,913
State and county charges.....	-	388,840	-	388,840
Debt service:				
Principal.....	-	1,775,320	-	1,775,320
Interest.....	-	823,247	-	823,247
TOTAL EXPENDITURES.....	363,371	32,703,836	225,324	33,292,531
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(363,371)	(460,680)	(225,324)	(1,049,375)
OTHER FINANCING SOURCES (USES)				
Transfers in.....	-	304,000	15,217	319,217
Transfers out.....	-	(41,320)	(516,890)	(558,210)
TOTAL OTHER FINANCING SOURCES (USES).....	-	262,680	(501,673)	(238,993)
NET CHANGE IN FUND BALANCE.....	(363,371)	(198,000)	(726,997)	(1,288,368)
FUND BALANCE AT BEGINNING OF YEAR.....	2,077,974	2,077,974	2,077,974	2,077,974
FUND BALANCE AT END OF YEAR.....	\$ 1,714,603	\$ 1,879,974	\$ 1,350,977	\$ 789,606

See accompanying notes to required supplementary information.

	Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$	24,688,402	\$ -	\$ 24,688,402	\$ (253,586)
	1,418,970	-	1,418,970	16,970
	67,448	-	67,448	67,448
	67,020	-	67,020	3,320
	321,830	-	321,830	(70,190)
	4,683,285	-	4,683,285	64,222
	68,231	-	68,231	(13,769)
	278,020	-	278,020	(131,980)
	22,323	-	22,323	(1,677)
	239,626	-	239,626	(56,759)
	10,243	-	10,243	(1,757)
	<u>31,865,398</u>	<u>-</u>	<u>31,865,398</u>	<u>(377,758)</u>
	1,694,533	19,439	1,713,972	341,586
	3,901,314	63,497	3,964,811	78,911
	17,231,670	331,263	17,562,933	127,947
	1,891,458	59,796	1,951,254	131,347
	210,131	259	210,390	18,392
	637,223	-	637,223	24,037
	1,268,761	-	1,268,761	25,460
	1,941,988	-	1,941,988	15,199
	260,524	-	260,524	14,476
	15,913	-	15,913	-
	373,396	-	373,396	15,444
	1,775,320	-	1,775,320	-
	814,501	-	814,501	8,746
	<u>32,016,732</u>	<u>474,254</u>	<u>32,490,986</u>	<u>801,545</u>
	<u>(151,334)</u>	<u>(474,254)</u>	<u>(625,588)</u>	<u>423,787</u>
	321,588	-	321,588	2,371
	<u>(558,210)</u>	<u>-</u>	<u>(558,210)</u>	<u>-</u>
	<u>(236,622)</u>	<u>-</u>	<u>(236,622)</u>	<u>2,371</u>
	(387,956)	(474,254)	(862,210)	426,158
	<u>2,077,974</u>	<u>-</u>	<u>2,077,974</u>	<u>-</u>
\$	<u>1,690,018</u>	<u>(474,254)</u>	<u>1,215,764</u>	<u>426,158</u>

TOWN OF NORFOLK, MASSACHUSETTS
COMMUNITY PRESERVATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(NON-GAAP BUDGETARY BASIS)
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Community preservation surcharges.....	\$ -	\$ 535,466	\$ -	\$ 535,466
Tax liens.....	-	-	-	-
Penalties and interest on taxes.....	-	-	-	-
Intergovernmental	-	206,363	-	206,363
Investment income.....	-	6,000	-	6,000
	<u>-</u>	<u>747,829</u>	<u>-</u>	<u>747,829</u>
EXPENDITURES				
Current:				
Administrative.....	-	35,000	-	35,000
Acquisitions and projects.....	159,946	815,000	79,900	1,054,846
	<u>159,946</u>	<u>850,000</u>	<u>79,900</u>	<u>1,089,846</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....				
	<u>(159,946)</u>	<u>(102,171)</u>	<u>(79,900)</u>	<u>(342,017)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out.....	-	(400,000)	-	(400,000)
NET CHANGE IN FUND BALANCE.....				
	(159,946)	(502,171)	(79,900)	(742,017)
FUND BALANCE AT BEGINNING OF YEAR....				
	<u>4,103,233</u>	<u>4,103,233</u>	<u>4,103,233</u>	<u>4,103,233</u>
FUND BALANCE AT END OF YEAR.....				
	<u>\$ 3,943,287</u>	<u>\$ 3,601,062</u>	<u>\$ 4,023,333</u>	<u>\$ 3,361,216</u>

See accompanying notes to required supplementary information.

	<u>Actual</u>	<u>Current Year Encumbrances and Continuing Appropriations</u>	<u>Actual and Encumbrances and Continuing Appropriations</u>	<u>Variance Positive/ (Negative)</u>
\$	549,210	\$ -	\$ 549,210	\$ 13,744
	1,779	-	1,779	1,779
	845	-	845	845
	206,363	-	206,363	-
	981	-	981	(5,019)
	<u>759,178</u>	<u>-</u>	<u>759,178</u>	<u>11,349</u>
	14,593	-	14,593	20,407
	73,259	916,553	989,812	65,034
	<u>87,852</u>	<u>916,553</u>	<u>1,004,405</u>	<u>85,441</u>
	<u>671,326</u>	<u>(916,553)</u>	<u>(245,227)</u>	<u>96,790</u>
	<u>(400,000)</u>	<u>-</u>	<u>(400,000)</u>	<u>-</u>
	271,326	(916,553)	(645,227)	96,790
	4,103,233	-	4,103,233	-
\$	<u><u>4,374,559</u></u>	<u><u>(916,553)</u></u>	<u><u>3,458,006</u></u>	<u><u>96,790</u></u>

PENSION PLAN SCHEDULES

The following schedules provide information related to the System as a whole, for which the Town is one participating employer:

SCHEDULES OF FUNDING PROGRESS (SYSTEM)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/12	\$ 608,235,096	\$ 1,128,960,288	\$ 520,725,192	53.9%	\$ 229,095,409	227.3%
01/01/10	600,790,835	1,001,881,055	401,090,220	60.0%	223,332,595	179.6%
01/01/08	596,157,147	907,719,124	311,561,977	65.7%	223,814,977	139.2%
01/01/07	533,077,948	855,677,413	322,599,465	62.3%	219,620,865	146.9%
01/01/05	467,186,566	762,900,650	295,714,084	61.2%	196,639,163	150.4%
01/01/03	415,150,776	675,275,257	260,124,481	61.5%	185,281,985	140.4%

SCHEDULE OF EMPLOYER CONTRIBUTIONS (SYSTEM)

Year Ended December 31	Annually Required Contributions (ARC)	Percentage of ARC Contributed (%)
2007	\$ 33,104,903	100
2008	38,920,499	100
2009	41,242,373	100
2010	42,794,150	100
2011	41,206,587	100
2012	42,714,639	100

The following schedule provides information related to the Town's portion of the System's ARC:

TOWN SHARE OF SYSTEM ARC

Year Ended June 30	ARC	Percentage of ARC Contributed (%)	Town ARC as a Percentage of System ARC (%)
2008	\$ 966,950	100	2.9%
2009	1,145,025	100	2.9%
2010	1,225,554	100	3.0%
2011	1,271,909	100	3.0%
2012	1,272,286	100	3.1%
2013	1,334,335	100	3.1%

OTHER POSTEMPLOYMENT BENEFITS SCHEDULES

The following schedules provide information related to the Town’s other postemployment benefits plan:

SCHEDULES OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/08	\$ -	\$ 17,392,035	\$ 17,392,035	-	\$ 14,554,198	119.5%
07/01/10	-	15,796,556	15,796,556	-	14,591,760	108.3%
07/01/12	-	15,374,719	15,374,719	-	15,109,154	101.8%

The significant change to the methods and assumptions used in the actuarial valuations identified above that impacted trends in the schedules of funding progress is the decrease in the trend on medical and prescription drug costs from the 07/01/08 valuation to the 07/01/10 valuation.

TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2013

NOTE A - BUDGETARY - GAAP RECONCILIATION

For budgetary financial reporting purposes, the Uniform Massachusetts Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund and community preservation fund for the fiscal year ended June 30, 2013, is presented below:

General Fund

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Fund Balance</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 31,865,398	\$ 32,490,986	\$ (236,622)	\$ 1,215,764
<u>Reclassifications</u>				
Activity of stabilization fund recorded in the general fund for GAAP purposes.....	(692)	-	500,000	1,120,400
<u>Adjustments</u>				
Net change in recording 60-day receipts.....	24,765	-	-	78,662
Net change in recording tax refunds payable.....	29,746	-	-	(90,516)
To record activity for MTRS on-behalf payments.....	1,696,357	1,696,357	-	-
To record encumbrances and continuing appropriations.....	-	(474,254)	-	474,254
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	<u>\$ 33,615,574</u>	<u>\$ 33,713,089</u>	<u>\$ 263,378</u>	<u>\$ 2,798,564</u>

Community Preservation Fund

	<u>Expenditures</u>	<u>Fund Balance</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 1,004,405	\$ 3,458,006
<u>Adjustments</u>		
To record encumbrances and continuing appropriations.....	(916,553)	916,553
GAAP basis as reported on the statement of revenues expenditures and changes in fund balances.....	<u>\$ 87,852</u>	<u>\$ 4,374,559</u>

TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2013

NOTE B - PENSION PLAN

Additional information as of the latest actuarial valuation is as follows:

Valuation date:	January 1, 2012
Actuarial cost method:	Entry age normal
Amortization method:	4.5% increasing for the 2002 and 2003 ERI and 4.0% increasing for the remaining unfunded liability
Remaining amortization period:	19 years for the remaining unfunded liability and 16 years remaining for the 2002 and 2003 ERI liability
Asset valuation method:	5 year smoothing of realized and unrealized investment earnings greater than or less than the expected return

Actuarial assumptions:

Investment rate of return:	8.25%
Projected salary increases:	4.00%
Cost of living adjustments:	3.00% of the first \$12,000 of retirement income