

TOWN OF NORFOLK, MASSACHUSETTS
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

**TOWN OF NORFOLK, MASSACHUSETTS
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YEAR ENDED JUNE 30, 2014**

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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, 2014, 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, 2014, 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 3 through 11), budgetary comparison of the general fund and community preservation fund and certain pension and other postemployment benefits information (located on pages 59 through 65) 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 March 23, 2015 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Boston, Massachusetts
March 23, 2015

**TOWN OF NORFOLK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

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, 2014.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$60,699,485 (net position)
- The Town's total net position increased \$728,142
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$2,275,816, or 6.4% of total general fund expenditures and transfers out
- The Town's total bonded debt decreased by \$1,861,141 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 and deferred inflows of resources, 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 12-14 of this report.

**TOWN OF NORFOLK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

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 15-20 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 21-23 of this report.

**TOWN OF NORFOLK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

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.

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 24-25 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 26-57 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 59-65 of this report.

**TOWN OF NORFOLK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

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 and deferred inflows of resources by \$60,699,485 at the close of the fiscal year and are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2014	2013	2014	2013	2014	2013
Assets						
Current assets.....	\$ 12,691,390	\$ 13,294,458	\$ 1,413,119	\$ 1,133,092	\$ 14,104,509	\$ 14,427,550
Noncurrent assets (excluding capital assets).....	629,372	883,130	208,070	260,417	837,442	1,143,547
Capital assets (net).....	<u>64,535,061</u>	<u>63,144,404</u>	<u>16,993,968</u>	<u>17,371,663</u>	<u>81,529,029</u>	<u>80,516,067</u>
Total assets.....	<u>77,855,823</u>	<u>77,321,992</u>	<u>18,615,157</u>	<u>18,765,172</u>	<u>96,470,980</u>	<u>96,087,164</u>
Liabilities						
Current liabilities (excluding debt).....	1,952,734	1,879,530	92,264	96,314	2,044,998	1,975,844
Noncurrent liabilities (excluding debt).....	9,443,207	8,149,415	105,581	79,365	9,548,788	8,228,780
Current debt.....	1,931,287	1,862,052	388,535	372,535	2,319,822	2,234,587
Noncurrent debt.....	<u>18,469,244</u>	<u>19,998,610</u>	<u>3,331,000</u>	<u>3,678,000</u>	<u>21,800,244</u>	<u>23,676,610</u>
Total liabilities.....	<u>31,796,472</u>	<u>31,889,607</u>	<u>3,917,380</u>	<u>4,226,214</u>	<u>35,713,852</u>	<u>36,115,821</u>
Deferred Inflows of Resources.....	<u>57,643</u>	-	-	-	<u>57,643</u>	-
Net Position						
Net investment in capital assets.....	44,413,853	42,376,991	13,282,985	13,334,506	57,696,838	55,711,497
Restricted.....	6,556,184	6,634,960	-	-	6,556,184	6,634,960
Unrestricted.....	<u>(4,968,329)</u>	<u>(3,579,566)</u>	<u>1,414,792</u>	<u>1,204,452</u>	<u>(3,553,537)</u>	<u>(2,375,114)</u>
Total net position.....	<u>\$ 46,001,708</u>	<u>\$ 45,432,385</u>	<u>\$ 14,697,777</u>	<u>\$ 14,538,958</u>	<u>\$ 60,699,485</u>	<u>\$ 59,971,343</u>

The largest portion of the Town's net position (\$57,696,838) 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 (\$6,556,184) represents resources that are subject to external restrictions on how they may be used.

Unrestricted net position of \$1,414,792 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.

**TOWN OF NORFOLK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

Changes in Net Position

For the fiscal year ended June 30, 2014, the Town's total net position increased by \$728,142, compared to an increase of \$1,806,826 in the prior fiscal year. These amounts are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues						
<i>Program Revenues:</i>						
Charges for services.....	\$ 2,994,976	\$ 2,611,374	\$ 1,621,125	\$ 1,506,598	\$ 4,616,101	\$ 4,117,972
Operating grants and contributions.....	6,808,105	6,382,119	21,110	21,902	6,829,215	6,404,021
Capital grants and contributions.....	1,387,454	2,041,187	-	-	1,387,454	2,041,187
<i>General Revenues:</i>						
Real estate and personal property taxes.....	26,018,974	25,010,570	-	-	26,018,974	25,010,570
Motor vehicle and other excise taxes.....	1,520,541	1,454,946	-	-	1,520,541	1,454,946
Penalties and interest on taxes.....	76,908	69,076	-	-	76,908	69,076
Payments in lieu of taxes.....	78,267	67,020	-	-	78,267	67,020
Community preservation surcharges.....	191,610	549,323	-	-	191,610	549,323
Grants and contributions not restricted to specific programs.....	830,305	811,396	-	-	830,305	811,396
Unrestricted investment income.....	10,194	9,550	-	-	10,194	9,550
Loss on sale of capital assets.....	-	-	-	(163,178)	-	(163,178)
Total revenues.....	<u>39,917,334</u>	<u>39,006,561</u>	<u>1,642,235</u>	<u>1,365,322</u>	<u>41,559,569</u>	<u>40,371,883</u>
Expenses						
General government.....	3,121,020	3,371,802	-	-	3,121,020	3,371,802
Public safety.....	5,813,759	5,202,766	-	-	5,813,759	5,202,766
Education.....	24,507,443	22,992,636	-	-	24,507,443	22,992,636
Public works.....	2,978,057	2,860,257	-	-	2,978,057	2,860,257
Health and human services.....	650,236	638,465	-	-	650,236	638,465
Culture and recreation.....	1,523,536	1,492,869	-	-	1,523,536	1,492,869
Debt service - interest.....	753,960	797,139	-	-	753,960	797,139
Water.....	-	-	1,483,416	1,209,122	1,483,416	1,209,122
Total expenses.....	<u>39,348,011</u>	<u>37,355,935</u>	<u>1,483,416</u>	<u>1,209,122</u>	<u>40,831,427</u>	<u>38,565,057</u>
Change in net position.....	569,323	1,650,626	158,819	156,200	728,142	1,806,826
Net position - beginning of year.....	<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>
Net position - end of year.....	<u>\$ 46,001,708</u>	<u>\$ 45,432,385</u>	<u>\$ 14,697,777</u>	<u>\$ 14,538,958</u>	<u>\$ 60,699,485</u>	<u>\$ 59,971,343</u>

Governmental activities increased the Town's net position by \$569,323. In the prior year, governmental activities increased the Town's net position by \$1,650,626. The key element of this change was a decrease in capital grants of approximately \$650,000, 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 \$158,819. This is consistent with the prior year, in which business-type activities increased the Town's net position by \$156,200.

**TOWN OF NORFOLK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

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 \$9,456,104, a decrease of \$915,493 in comparison with the prior year. Approximately \$1,885,000 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable (\$112,028)
- Restricted (\$6,709,566)
- Committed (\$179,570)
- Assigned (\$570,169)

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 \$2,275,816, while total fund balance was \$3,198,539. 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 6.4% of total general fund expenditures, while total fund balance represents 9.1% of that same amount.

The fund balance of the Town's general fund increased \$399,975 during fiscal year 2014. Although the Town recognized an approximate \$1,754,000 budgetary surplus (before encumbrances and continuing appropriations), approximately \$1,237,000 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) decreased by \$568,101 during the current fiscal year. The fund recognized \$193,819 in surcharges, \$422,632 in intergovernmental revenues, \$830 in tax liens, \$57 in investment income and \$724 in penalties and interest on taxes. Expenditures of \$986,163 were incurred during the fiscal year. The fund also transferred \$200,000 to the municipal housing fund (nonmajor governmental fund).

The fund balance of the elementary school construction fund (capital project) decreased by \$608,670 during the current fiscal year. Expenditures of \$608,670 were incurred during the fiscal year.

**TOWN OF NORFOLK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

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 \$1,414,792. The fund had an increase in net position for the year of \$158,819. 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 \$33,734,846 was increased by \$440,245 (1.3%) during the fiscal year. The following table summarizes the increase:

<u>Purpose of Increase/Decrease</u>	<u>Amount</u>	<u>Funding Source</u>
Snow and ice.....	\$ 110,000	Unassigned fund balance
Education expenses.....	100,000	Unassigned fund balance
DPW mower.....	80,000	Unassigned fund balance
Fire expenses.....	46,243	Unassigned fund balance
Education capital.....	35,000	Unassigned fund balance
DPW expenses.....	27,762	Unassigned fund balance
Snow and ice.....	16,240	Transfer from revolving fund
Veterans' services expenses.....	15,000	Unassigned fund balance
Fire capital.....	5,000	Unassigned fund balance
Police capital.....	<u>5,000</u>	Unassigned fund balance
Total net increase.....	<u>\$ 440,245</u>	

During the year, revenues and other financing uses were greater than budgetary estimates, while expenditures, encumbrances, continuing appropriations were less than budgetary estimates, resulting in a positive budget to actual variance of \$1,123,045.

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 \$81,529,029 (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 \$1,012,962 or 1.3% (a 1.7% increase for governmental activities and a 0.4% decrease for business-type activities).

Major capital asset events that occurred during the current fiscal year include the following:

- Gump Kids playground (\$623,240)
- Chapter 90 roadway improvements (\$611,041)
- Purchase of land parcels (\$568,000)
- Freeman-Centennial School construction project (\$556,700)
- H. Olive Day School playground (\$308,640)

**TOWN OF NORFOLK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

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>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land.....	\$ 10,301,315	\$ 10,022,315	\$ 1,142,571	\$ 1,142,571	\$ 11,443,886	\$ 11,164,886
Construction in progress.....	31,940,213	31,260,667	1,276,262	1,439,527	33,216,475	32,700,194
Land improvements.....	1,808,008	861,341	-	-	1,808,008	861,341
Buildings.....	10,797,341	11,270,653	366,909	378,044	11,164,250	11,648,697
Machinery and equipment.....	2,201,914	2,536,184	387,670	433,905	2,589,584	2,970,089
Vehicles.....	801,574	719,284	29,403	36,616	830,977	755,900
Infrastructure.....	<u>6,684,696</u>	<u>6,473,960</u>	<u>13,791,153</u>	<u>13,941,000</u>	<u>20,475,849</u>	<u>20,414,960</u>
Total capital assets.....	<u>\$ 64,535,061</u>	<u>\$ 63,144,404</u>	<u>\$ 16,993,968</u>	<u>\$ 17,371,663</u>	<u>\$ 81,529,029</u>	<u>\$ 80,516,067</u>

Additional information on the Town's capital assets can be found in Note 5 on pages 44-45 of this report.

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$23,676,610, 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>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General obligation bonds.....	\$ 19,846,000	\$ 21,365,000	\$ 3,388,000	\$ 3,694,000	\$ 23,234,000	\$ 25,059,000
MWPAT notes.....	<u>152,610</u>	<u>163,751</u>	<u>290,000</u>	<u>315,000</u>	<u>442,610</u>	<u>478,751</u>
Total bonds and notes.....	<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>

The Town's total bonded debt decreased by \$1,861,141 (7.3%) during the current fiscal year.

Additional information on the Town's long-term debt can be found in Note 9 on pages 48-50 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The development of the fiscal year 2015 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 \$1,200,000. On the expense side, a majority of Town employees are covered by collective bargaining agreements, therefore salary and benefit increases in fiscal year 2015 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.

**TOWN OF NORFOLK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

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.

TOWN OF NORFOLK, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 3,741,269	\$ 932,421	\$ 4,673,690
Restricted Cash and Cash Equivalents	5,233,374	8,552	5,241,926
Investments	343,576	-	343,576
Restricted Investments	388,850	-	388,850
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate and Personal Property Taxes	369,103	-	369,103
Tax and Utility Liens	786,497	20,203	806,700
Motor Vehicle and Other Excise Taxes	126,300	-	126,300
Community Preservation Surcharges	2,954	-	2,954
User Charges	-	412,217	412,217
Special Assessments	3,963	39,726	43,689
Intergovernmental	1,695,504	-	1,695,504
Total Current Assets	<u>12,691,390</u>	<u>1,413,119</u>	<u>14,104,509</u>
Noncurrent Assets:			
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate Tax Deferrals	54,558	-	54,558
Special Assessments	31,704	208,070	239,774
Tax Foreclosures	543,110	-	543,110
Capital Assets not being Depreciated	42,241,528	2,418,833	44,660,361
Capital Assets, Net of Accumulated Depreciation	22,293,533	14,575,135	36,868,668
Total Noncurrent Assets	<u>65,164,433</u>	<u>17,202,038</u>	<u>82,366,471</u>
Total Assets	<u>77,855,823</u>	<u>18,615,157</u>	<u>96,470,980</u>
LIABILITIES			
Current Liabilities:			
Warrants Payable	703,237	25,951	729,188
Accrued Payroll	181,081	6,779	187,860
Tax Refunds Payable	98,348	-	98,348
Other Liabilities	243,688	-	243,688
Accrued Interest	221,836	59,534	281,370
Landfill Post-Closure	79,544	-	79,544
Compensated Absences	425,000	-	425,000
Short-Term Notes Payable	401,921	41,535	443,456
Long-Term Bonds and Notes Payable	1,529,366	347,000	1,876,366
Total Current Liabilities	<u>3,884,021</u>	<u>480,799</u>	<u>4,364,820</u>
Noncurrent Liabilities:			
Landfill Post-Closure	1,135,890	-	1,135,890
Compensated Absences	163,000	-	163,000
Net OPEB Obligation	8,144,317	105,581	8,249,898
Long-Term Bonds and Notes Payable	18,469,244	3,331,000	21,800,244
Total Noncurrent Liabilities	<u>27,912,451</u>	<u>3,436,581</u>	<u>31,349,032</u>
Total Liabilities	<u>31,796,472</u>	<u>3,917,380</u>	<u>35,713,852</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes Paid in Advance	57,643	-	57,643
NET POSITION			
Net Investment in Capital Assets	44,413,853	13,282,985	57,696,838
Restricted for:			
Community Preservation	3,820,371	-	3,820,371
Debt Service	172,984	-	172,984
Elementary School Construction	468,814	-	468,814
Permanent Funds:			
Expendable	504,673	-	504,673
Nonexpendable	112,028	-	112,028
Other Specific Purposes	1,477,314	-	1,477,314
Unrestricted	(4,968,329)	1,414,792	(3,553,537)
Total Net Position	<u>\$ 46,001,708</u>	<u>\$ 14,697,777</u>	<u>\$ 60,699,485</u>

See accompanying Notes to the Financial Statements.

TOWN OF NORFOLK, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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	\$ 3,121,020	\$ 261,829	\$ 516,595	\$ 551,418	\$ (1,791,178)
Public Safety	5,813,759	795,084	134,326	-	(4,884,349)
Education	24,507,443	1,123,419	5,600,952	-	(17,783,072)
Public Works	2,978,057	410,462	21,413	835,136	(1,711,046)
Health and Human Services	650,236	87,196	508,397	-	(54,643)
Culture and Recreation	1,523,536	316,986	26,120	900	(1,179,530)
Debt Service - Interest	753,960	-	302	-	(753,658)
Total Governmental Activities	<u>39,348,011</u>	<u>2,994,976</u>	<u>6,808,105</u>	<u>1,387,454</u>	<u>(28,157,476)</u>
Business-Type Activities:					
Water	<u>1,483,416</u>	<u>1,621,125</u>	<u>21,110</u>	<u>-</u>	<u>158,819</u>
Total Primary Government	<u>\$ 40,831,427</u>	<u>\$ 4,616,101</u>	<u>\$ 6,829,215</u>	<u>\$ 1,387,454</u>	<u>\$ (27,998,657)</u>

TOWN OF NORFOLK, MASSACHUSETTS
STATEMENT OF ACTIVITIES (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
CHANGES IN NET POSITION			
Net Revenue (Expense) (from Previous Page)	\$ (28,157,476)	\$ 158,819	\$ (27,998,657)
GENERAL REVENUES			
Real Estate and Personal Property Taxes	26,018,974	-	26,018,974
Motor Vehicle and Other Excise Taxes	1,520,541	-	1,520,541
Penalties and Interest on Taxes	76,908	-	76,908
Payments in Lieu of Taxes	78,267	-	78,267
Community Preservation Surcharges	191,610	-	191,610
Grants and Contributions Net Restricted to Specific Programs	830,305	-	830,305
Unrestricted Investment Income	10,194	-	10,194
Total General Revenues and Transfers	<u>28,726,799</u>	<u>-</u>	<u>28,726,799</u>
CHANGE IN NET POSITION	569,323	158,819	728,142
Net Position - Beginning of Year	<u>45,432,385</u>	<u>14,538,958</u>	<u>59,971,343</u>
NET POSITION - END OF YEAR	<u>\$ 46,001,708</u>	<u>\$ 14,697,777</u>	<u>\$ 60,699,485</u>

See accompanying Notes to the Financial Statements.

TOWN OF NORFOLK, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014

ASSETS	<u>General</u>	<u>Community Preservation</u>	<u>Elementary School Construction</u>
Cash and Cash Equivalents	\$ 3,741,269	\$ -	\$ -
Investments	343,576	-	-
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate and Personal Property Taxes	369,103	-	-
Real Estate Tax Deferrals	54,558	-	-
Tax Liens	775,538	10,959	-
Motor Vehicle and Other Excise Taxes	126,300	-	-
Community Preservation Surcharges	-	2,954	-
Special Assessments	35,667	-	-
Intergovernmental	330,621	-	477,458
Tax Foreclosures	543,110	-	-
Restricted Assets:			
Cash and Cash Equivalents	172,984	3,820,980	214,629
Investments	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 6,492,726</u>	<u>\$ 3,834,893</u>	<u>\$ 692,087</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Warrants Payable	\$ 592,997	\$ 13,345	\$ 8,644
Accrued Payroll	171,966	516	-
Tax Refunds Payable	98,348	-	-
Other Liabilities	209,067	-	-
Short-Term Notes Payable	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>1,072,378</u>	<u>13,861</u>	<u>8,644</u>
 DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	2,164,827	13,913	-
Taxes Paid in Advance	56,982	661	-
	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u>2,221,809</u>	<u>14,574</u>	<u>-</u>
 FUND BALANCES			
Nonspendable	-	-	-
Restricted	172,984	3,806,458	683,443
Committed	179,570	-	-
Assigned	570,169	-	-
Unassigned	2,275,816	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>3,198,539</u>	<u>3,806,458</u>	<u>683,443</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,492,726</u>	<u>\$ 3,834,893</u>	<u>\$ 692,087</u>

See accompanying Notes to the Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 3,741,269
-	343,576
-	369,103
-	54,558
-	786,497
-	126,300
-	2,954
-	35,667
887,425	1,695,504
-	543,110
1,024,781	5,233,374
<u>388,850</u>	<u>388,850</u>
\$ <u>2,301,056</u>	\$ <u>13,320,762</u>

\$ 88,251	\$ 703,237
8,599	181,081
-	98,348
34,621	243,688
<u>401,921</u>	<u>401,921</u>
<u>533,392</u>	<u>1,628,275</u>

-	2,178,740
-	57,643
-	<u>2,236,383</u>

112,028	112,028
2,046,681	6,709,566
-	179,570
-	570,169
<u>(391,045)</u>	<u>1,884,771</u>
<u>1,767,664</u>	<u>9,456,104</u>

\$ <u>2,301,056</u>	\$ <u>13,320,762</u>
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TOWN OF NORFOLK, MASSACHUSETTS
 GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General	Community Preservation	Elementary School Construction
REVENUES			
Real Estate and Personal Property Taxes	\$ 25,681,345	\$ -	\$ -
Motor Vehicle and Other Excise Taxes	1,525,750	-	-
Tax Liens	58,150	830	-
Payments in Lieu of Taxes	78,267	-	-
Community Preservation Surcharges	-	193,819	-
Charges for Services	-	-	-
Trash Disposal	338,142	-	-
Intergovernmental	6,956,243	422,632	-
Penalties and Interest on Taxes	76,185	724	-
Licenses and Permits	447,603	-	-
Fines and Forfeitures	29,688	-	-
Departmental and Other Contributions	192,634	-	-
Investment Income	10,194	57	-
Total Revenues	<u>35,394,201</u>	<u>618,062</u>	<u>-</u>
EXPENDITURES			
Current:			
General Government	1,789,387	986,163	-
Public Safety	3,997,265	-	-
Education	18,406,504	-	608,670
Public Works	2,196,482	-	-
Health and Human Services	202,710	-	-
Culture and Recreation	646,760	-	-
Pension Benefits	3,043,610	-	-
Employee Benefits	1,986,161	-	-
Property and Liability Insurance	274,487	-	-
State and County Charges	403,683	-	-
Debt Service:			
Principal	1,530,141	-	-
Interest	765,901	-	-
Total Expenditures	<u>35,243,091</u>	<u>986,163</u>	<u>608,670</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>151,110</u>	<u>(368,101)</u>	<u>(608,670)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	307,240	-	-
Transfers Out	(58,375)	(200,000)	-
Total Other Financing Sources (Uses)	<u>248,865</u>	<u>(200,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	399,975	(568,101)	(608,670)
Fund Balances - Beginning of Year	<u>2,798,564</u>	<u>4,374,559</u>	<u>1,292,113</u>
FUND BALANCES - END OF YEAR	<u>\$ 3,198,539</u>	<u>\$ 3,806,458</u>	<u>\$ 683,443</u>

See accompanying Notes to the Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 25,681,345
-	1,525,750
-	58,980
-	78,267
-	193,819
1,254,630	1,254,630
-	338,142
1,456,837	8,835,712
-	76,909
15,300	462,903
-	29,688
739,588	932,222
499,090	499,090
3,965	14,216
<u>3,969,410</u>	<u>39,981,673</u>
840,700	3,616,250
183,813	4,181,078
1,592,783	20,607,957
948,969	3,145,451
80,886	283,596
412,091	1,058,851
-	3,043,610
-	1,986,161
-	274,487
-	403,683
-	1,530,141
-	765,901
<u>4,059,242</u>	<u>40,897,166</u>
<u>(89,832)</u>	<u>(915,493)</u>
258,375	565,615
<u>(307,240)</u>	<u>(565,615)</u>
<u>(48,865)</u>	-
(138,697)	(915,493)
<u>1,906,361</u>	<u>10,371,597</u>
<u>\$ 1,767,664</u>	<u>\$ 9,456,104</u>

TOWN OF NORFOLK, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total Governmental Fund Balances (Page 16)	\$ 9,456,104
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	64,535,061
Other assets are not available to pay for current period expenditures and, therefore, are deferred inflows of resources in the governmental funds	2,178,740
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	(221,836)
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	(19,998,610)
Landfill Post-Closure	(1,215,434)
Compensated Absences	(588,000)
Net OPEB Obligation	<u>(8,144,317)</u>
Net Position of Governmental Activities (Page 12)	<u>\$ 46,001,708</u>

See accompanying Notes to 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, 2014

Net Change in Fund Balances - Total Governmental Funds (Page 18)	\$	(915,493)
<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		3,146,785
Depreciation		(1,756,128)
<p>Revenues in the statement of activities that do not provide current financial resources are fully deferred inflows in the statement of revenues, expenditures and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.</p>		
		(64,337)
<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		1,530,141
<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>		
		11,940
<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		67,543
Compensated Absences		(88,000)
Net OPEB Obligation		(1,363,128)
		(1,363,128)
Changes in Net Position of Governmental Activities (Page 14)	\$	569,323

See accompanying Notes to the Financial Statements.

TOWN OF NORFOLK, MASSACHUSETTS
 PROPRIETARY FUND
 STATEMENT OF FUND NET POSITION
 JUNE 30, 2014

	Business-Type Activities Enterprise Fund <u>Water</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 932,421
Restricted Cash and Cash Equivalents	8,552
Receivables, Net of Allowance for Uncollectible Amounts:	
User Charges	412,217
Special Assessments	39,726
Utility Liens	20,203
Total Current Assets	<u>1,413,119</u>
Noncurrent Assets:	
Receivable, Net of Allowance for Uncollectible Amounts:	
Special Assessments	208,070
Capital Assets not being Depreciated	2,418,833
Capital Assets, Net of Accumulated Depreciation	14,575,135
Total Noncurrent Assets	<u>17,202,038</u>
Total Assets	<u>18,615,157</u>
LIABILITIES	
Current Liabilities:	
Warrants Payable	25,951
Accrued Payroll	6,779
Accrued Interest	59,534
Short-Term Notes Payable	41,535
Long-Term Bonds and Notes Payable	347,000
Total Current Liabilities	<u>480,799</u>
Noncurrent Liabilities:	
Net OPEB Obligation	105,581
Long-Term Bonds and Notes Payable	3,331,000
Total Noncurrent Liabilities	<u>3,436,581</u>
Total Liabilities	<u>3,917,380</u>
FUND NET POSITION	
Net Investment in Capital Assets	13,282,985
Unrestricted	1,414,792
Total Net Position	<u>\$ 14,697,777</u>

See accompanying Notes to 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, 2014

	Business-Type Activities Enterprise Fund <u>Water</u>
OPERATING REVENUES	
Charges for Services	\$ 1,503,426
Special Assessments	13,530
Penalties and Interest	8,295
Other	<u>95,874</u>
Total Operating Revenues	<u>1,621,125</u>
OPERATING EXPENSES	
Cost of Service and Administration	936,284
Depreciation	<u>388,472</u>
Total Operating Expenses	<u>1,324,756</u>
OPERATING INCOME (LOSS)	<u>296,369</u>
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental	21,100
Investment Income	10
Interest Expense	<u>(158,660)</u>
Total Nonoperating Revenues (Expenses)	<u>(137,550)</u>
CHANGE IN FUND NET POSITION	158,819
Fund Net Position - Beginning of Year	<u>14,538,958</u>
FUND NET POSITION - END OF YEAR	<u>\$ 14,697,777</u>

See accompanying Notes to the Financial Statements.

TOWN OF NORFOLK, MASSACHUSETTS
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Business-Type Activities Enterprise Fund Enterprise Water
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers and Users	\$ 1,655,869
Payments to Vendors	(638,207)
Payments to Employees	(271,363)
Net Cash Provided by Operating Activities	746,299
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from the Issuance of Bonds and Notes	41,535
Acquisition and Construction of Capital Assets	(10,777)
Principal Payments on Bonds and Notes	(372,535)
Interest Expense	(142,108)
Net Cash Provided by Capital and Related Financing Activities	(483,885)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	10
NET CHANGE IN CASH AND CASH EQUIVALENTS	262,424
Cash and Cash Equivalents - Beginning of Year	678,549
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 940,973
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES	
Operating Income (Loss)	\$ 296,369
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Adjustments not Requiring Current Cash Flows:	
Depreciation	388,472
Change in Net OPEB Obligation	26,216
Effect of Changes in Operating Assets and Liabilities:	
Utility Liens	(1,115)
User Charges	(23,038)
Special Assessments	58,897
Warrants Payable	(1,512)
Accrued Payroll	2,010
Total Adjustments	449,930
Net Cash Provided by Operating Activities	746,299
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Intergovernmental Debt Subsidies (MWPAT)	\$ 21,100

See accompanying Notes to the Financial Statements.

TOWN OF NORFOLK, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2014

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 19,687	\$ 238,721
Receivables, Net of Allowance for Uncollectible Amounts:		
Departmental and Other	-	16,615
Total Assets	19,687	255,336
LIABILITIES		
Warrants Payable	-	685
Accrued Payroll	-	5,321
Liabilities Due Depositors	-	249,330
Total Liabilities	-	255,336
NET POSITION		
Held in Trust for Other Purposes	\$ 19,687	\$ -

See accompanying Notes to the Financial Statements.

TOWN OF NORFOLK, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Net Investment Income:	
Interest	\$ <u>38</u>
Net Position - Beginning of Year	<u>19,649</u>
NET POSITION - END OF YEAR	\$ <u><u>19,687</u></u>

See accompanying Notes to the Financial Statements.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 2014, the Town's assessment was \$7,941,593. 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.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (Continued)

Joint Ventures (Continued)

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, 2014, the Town's assessment was \$595,829. 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.

C. Implementation of New Accounting Principles

For the year ending June 30, 2014, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*
- GASB Statement No. 66, *Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62*
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

The implementation of GASB Statement No. 65 introduced the reporting of deferred inflows of resources, which represents the acquisition of net position/fund balances that apply to a future period(s) and so will not be recognized as an inflow of resources until that time.

The implementation of GASB Statements No.'s 66 and 70 had no reporting impact for the Town.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

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 1% 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.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Fund Financial Statements (Continued)

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.

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.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Fund Financial Statements (Continued)

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.

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 2014 was estimated fair market value multiplied by \$17.43 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.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accounts Receivable (Continued)

Government-Wide and Fund Financial Statements (Continued)

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 1% 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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".

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 Outflows of Resources

Government-Wide and Fund Financial Statements

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

The Town has no items that qualify for reporting in this category.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Town has two items that qualify for reporting in this category. They are as follows:

- Taxes paid in advance are reported in the government-wide statement of net position and the governmental funds balance sheet. Taxes paid in advance represent amounts collected in the current fiscal year that apply to the subsequent fiscal year's tax levy.
- Unavailable revenue is reported in the governmental funds balance sheet. Unavailable revenue 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.

P. 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.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Net Position and Fund Balances (Continued)

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.

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.

Q. 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 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.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Long-Term Debt (Continued)

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.

R. 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.

S. 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.

T. 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.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. 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.

V. 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.

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.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

An annual budget is adopted for the general fund and community preservation fund in conformity with the guidelines described above.

The original fiscal year 2014 approved budget for the general fund authorized \$33,734,846 in appropriations and other amounts to be raised. During fiscal year 2014, total appropriations were increased by \$440,245. The original fiscal year 2014 approved budget for the community preservation fund authorized \$643,000 in appropriations and other amounts to be raised. Total appropriations were not increased during fiscal year 2014.

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, 2014, the following temporary fund deficits exist:

Fund	Amount	Funding Source
Public safety vehicles.....	\$ 361,045	Issuance of short-term debt
Public safety building.....	30,000	Issuance of short-term debt

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2014, expenditures exceeded appropriations for state and county charges.

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.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2014, \$3,254,431 of the Town's bank balance of \$8,622,975 was uninsured and uncollateralized and, therefore, exposed to custodial credit risk.

Investments Summary

The Town's investments at June 30, 2014 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.....	\$ 305,181	\$ -	\$ 305,181	\$ -	\$ -
U.S. Agencies.....	427,245	175,348	184,804	58,644	8,449
Money market mutual funds.....	188,096	188,096	-	-	-
External investment pools.....	1,566,507	1,566,507	-	-	-
Total debt securities.....	\$ <u>2,487,029</u>	\$ <u>1,929,951</u>	\$ <u>489,985</u>	\$ <u>58,644</u>	\$ <u>8,449</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, 2014, 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, 2014, U.S. Agency investments in the amount of \$351,149 were rated AA+ by Standards & Poors and the remainder of the Town's debt securities (excluding U.S. Treasuries) 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, 2014, the Town's investments in the Federal National Mortgage Association represented 11.0% of the Town's total investments.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 ACCOUNTS RECEIVABLE

At June 30, 2014, 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.....	\$ 369,103	\$ -	\$ 369,103
Real estate tax deferrals.....	54,558	-	54,558
Tax liens.....	786,497	-	786,497
Motor vehicle and other excise taxes.....	126,300	-	126,300
Community preservation surcharges.....	2,954	-	2,954
Special assessments.....	35,667	-	35,667
Departmental and other.....	16,615	-	16,615
Intergovernmental.....	<u>1,695,504</u>	<u>-</u>	<u>1,695,504</u>
	<u>\$ 3,087,198</u>	<u>\$ -</u>	<u>\$ 3,087,198</u>

At June 30, 2014, 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.....	\$ 20,203	\$ -	\$ 20,203
User charges.....	412,217	-	412,217
Special assessments.....	<u>247,796</u>	<u>-</u>	<u>247,796</u>
	<u>\$ 680,216</u>	<u>\$ -</u>	<u>\$ 680,216</u>

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 ACCOUNTS RECEIVABLE (CONTINUED)

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 2014, \$325,302 of such assistance was received. Approximately \$325,000 will be received in fiscal year 2015, which is the last year of assistance payments. The entire amount represents reimbursement of approved construction costs. Accordingly, a \$325,000 intergovernmental receivable and corresponding unavailable revenue have been reported in the governmental funds financial statements. The unavailable 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, 2014, 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, 2014.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

	Balance at 6/30/13	Increases	Decreases	Balance at 6/30/14
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 10,022,315	\$ 568,000	\$ (289,000)	\$ 10,301,315
Construction in progress.....	31,260,667	863,633	(184,087)	31,940,213
Total capital assets not being depreciated.....	<u>41,282,982</u>	<u>1,431,633</u>	<u>(473,087)</u>	<u>42,241,528</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	1,435,031	1,021,702	-	2,456,733
Buildings and improvements.....	22,067,426	183,214	-	22,250,640
Machinery and equipment.....	9,605,850	105,573	-	9,711,423
Vehicles.....	2,465,293	266,709	-	2,732,002
Infrastructure.....	27,841,520	611,041	-	28,452,561
Total capital assets being depreciated.....	<u>63,415,120</u>	<u>2,188,239</u>	<u>-</u>	<u>65,603,359</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(573,690)	(75,035)	-	(648,725)
Buildings and improvements.....	(10,796,773)	(656,526)	-	(11,453,299)
Machinery and equipment.....	(7,069,666)	(439,843)	-	(7,509,509)
Vehicles.....	(1,746,009)	(184,419)	-	(1,930,428)
Infrastructure.....	(21,367,560)	(400,305)	-	(21,767,865)
Total accumulated depreciation.....	<u>(41,553,698)</u>	<u>(1,756,128)</u>	<u>-</u>	<u>(43,309,826)</u>
Total capital assets being depreciated, net.....	<u>21,861,422</u>	<u>432,111</u>	<u>-</u>	<u>22,293,533</u>
Total governmental activities capital assets, net.....	<u>\$ 63,144,404</u>	<u>\$ 1,863,744</u>	<u>\$ (473,087)</u>	<u>\$ 64,535,061</u>

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 CAPITAL ASSETS (CONTINUED)

	Balance at 6/30/13	Increases	Decreases	Balance at 6/30/14
Business-Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,142,571	\$ -	\$ -	\$ 1,142,571
Construction in progress.....	1,439,527	7,034	(170,299)	1,276,262
	<u>2,582,098</u>	<u>7,034</u>	<u>(170,299)</u>	<u>2,418,833</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements.....	556,765	-	-	556,765
Machinery and equipment.....	1,572,809	-	-	1,572,809
Vehicles.....	110,604	-	-	110,604
Infrastructure.....	19,711,567	174,042	-	19,885,609
	<u>21,951,745</u>	<u>174,042</u>	<u>-</u>	<u>22,125,787</u>
<u>Less accumulated depreciation for:</u>				
Buildings and improvements.....	(178,721)	(11,135)	-	(189,856)
Machinery and equipment.....	(1,138,904)	(46,235)	-	(1,185,139)
Vehicles.....	(73,988)	(7,213)	-	(81,201)
Infrastructure.....	(5,770,567)	(323,889)	-	(6,094,456)
	<u>(7,162,180)</u>	<u>(388,472)</u>	<u>-</u>	<u>(7,550,652)</u>
Total capital assets being depreciated, net.....	<u>14,789,565</u>	<u>(214,430)</u>	<u>-</u>	<u>14,575,135</u>
Total business-type activities capital assets, net.....	<u>\$ 17,371,663</u>	<u>\$ (207,396)</u>	<u>\$ (170,299)</u>	<u>\$ 16,993,968</u>

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

Governmental Activities:

General government.....	\$ 88,579
Public safety.....	216,533
Education.....	577,836
Public works.....	538,013
Health and human services.....	32,666
Culture and recreation.....	<u>302,501</u>

Total depreciation expense - governmental activities..... \$ 1,756,128

Business-Type Activities:

Water.....	<u>\$ 388,472</u>
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**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6 INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2014 are summarized as follows:

Transfers Out:	Transfers In:		
	General Fund	Nonmajor Governmental Funds	Total
General Fund.....	\$ -	\$ 58,375	\$ 58,375 (1)
Community Preservation Fund.....	-	200,000	200,000 (2)
Nonmajor Governmental Funds.....	307,240	-	307,240 (3)
	\$ 307,240	\$ 258,375	\$ 565,615

- (1) Represents budgeted transfer for BAN pay downs (\$56,880). Also represents a transfer to the FY14 MEMA fund (\$1,495) to close the fund's deficit.
- (2) Represents budgeted transfers from the community preservation fund to fund the municipal housing trust fund
- (3) Represents funding of the fiscal year 2014 operating budget from the ambulance receipts reserved fund (\$280,000), cemetery revolving fund (\$10,158), and snow removal fund (\$16,240). Also represents a transfer from the perpetual care interest fund (\$842).

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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7 SHORT-TERM FINANCING (CONTINUED)

Details related to the short-term debt activity for the fiscal year ended June 30, 2014 are as follows:

Governmental Funds

Type	Description	Origination Date	Maturity Date	Interest Rate %	Balance at 6/30/2013	Increases	Decreases	Balance at 6/30/2014
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)	-
BAN	Vehicles.....	2/27/14	2/27/15	0.60	-	371,921	-	371,921
BAN	Public Safety Design.....	4/23/14	2/27/15	0.55	-	30,000	-	30,000
Total.....					\$ 331,911	\$ 401,921	\$ (331,911)	\$ 401,921

Enterprise Funds

Type	Description	Origination Date	Maturity Date	Interest Rate %	Balance at 6/30/2013	Increases	Decreases	Balance at 6/30/2014
BAN	Vehicles.....	2/27/13	2/27/14	0.55	\$ 41,535	\$ -	\$ (41,535)	\$ -
BAN	Vehicles.....	2/27/14	2/27/15	0.6	-	41,535	-	41,535
Total.....					\$ 41,535	\$ 41,535	\$ (41,535)	\$ 41,535

Subsequent Events

On July 31, 2014, the Town issued a new BAN in the amount of \$750,923 with an interest rate of 0.55% and a maturity date of July 31, 2015.

On September 24, 2014, the Town issued a land acquisition BAN in the amount of \$1,800,000 with an interest rate of 0.40% and a maturity date of September 24, 2015.

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, 2014:

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014	Due in One Year
Governmental Activities:					
Bonds and notes payable.....	\$ 21,528,751	\$ -	\$ (1,530,141)	\$ 19,998,610	\$ 1,529,366
Landfill closure.....	1,282,977	-	(67,543)	1,215,434	79,544
Net OPEB obligation.....	6,781,189	1,729,618	(366,490)	8,144,317	-
Compensated absences.....	500,000	88,000	-	588,000	425,000
Total.....	\$ 30,092,917	\$ 1,817,618	\$ (1,964,174)	\$ 29,946,361	\$ 2,033,910
Business-type Activities:					
Bonds and notes payable.....	\$ 4,009,000	\$ -	\$ (331,000)	\$ 3,678,000	\$ 347,000
Net OPEB obligation.....	79,365	33,264	(7,048)	105,581	-
Total.....	\$ 4,088,365	\$ 33,264	\$ (338,048)	\$ 3,783,581	\$ 347,000

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

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 LONG-TERM DEBT

Details related to the outstanding indebtedness at June 30, 2014 and the debt service requirements are as follows:

Bonds and Notes Payable – Governmental Funds

Project	Maturity Date	Interest Rate %	Outstanding at June 30, 2013	Additions	Reductions	Outstanding at June 30, 2014
Building Construction - Library.....	01/15/23	2.00 - 4.50	\$ 1,319,000	\$ -	\$ (133,000)	\$ 1,186,000
Building Addition - Highway.....	01/15/22	2.00 - 4.40	90,000	-	(10,000)	80,000
Engineering Services - Library.....	01/15/22	2.00 - 4.40	152,000	-	(18,000)	134,000
Sewer.....	01/15/23	2.00 - 4.50	90,000	-	(9,000)	81,000
Underground Utilities.....	01/15/22	3.00 - 4.20	405,000	-	(45,000)	360,000
Fire Truck.....	01/15/15	3.00 - 4.00	68,000	-	(34,000)	34,000
MWPAT.....	07/15/25	2.00	163,751	-	(11,141)	152,610
Municipal Purpose Loan - Refunding.....	11/15/17	3.98	324,000	-	(70,000)	254,000
Municipal Purpose Loan.....	08/15/29	2.00 - 3.00	1,127,000	-	(155,000)	972,000
Building Construction - School.....	03/15/31	2.00 - 5.00	13,500,000	-	(750,000)	12,750,000
Departmental Equipment - Ambulance.....	03/15/16	2.00 - 3.38	115,000	-	(40,000)	75,000
Architectural Services Building.....	03/15/15	2.00 - 2.25	60,000	-	(30,000)	30,000
School Project/Architectural Services Building.....	04/01/32	2.25 - 3.13	4,115,000	-	(225,000)	3,890,000
Total governmental funds.....			\$ 21,528,751	\$ -	\$ (1,530,141)	\$ 19,998,610

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

Fiscal Year	Principal	Interest	Total
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.....	\$ 19,998,610	\$ 6,702,550	\$ 26,701,160

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Bonds Payable – Water Enterprise Fund

Project	Maturity Date	Interest Rate %	Outstanding at June 30, 2013	Additions	Reductions	Outstanding at June 30, 2014
Water Storage Tank Construction...	01/15/23	2.00 - 4.50	\$ 987,000	\$ -	\$ (99,000)	\$ 888,000
Water Treatment Facility.....	01/15/23	2.00 - 4.50	15,000	-	(2,000)	13,000
Water Mains.....	01/15/23	2.00 - 4.50	166,000	-	(17,000)	149,000
Water Mains.....	01/15/23	2.00 - 4.50	56,000	-	(6,000)	50,000
Water Mains.....	01/15/18	2.00 - 4.20	5,000	-	(1,000)	4,000
Water Mains.....	01/15/23	2.00 - 4.50	145,000	-	(15,000)	130,000
MWPAT.....	08/01/22	3.00 - 5.00	315,000	-	(25,000)	290,000
Water Mains.....	01/15/22	3.00 - 4.20	430,000	-	(40,000)	390,000
Water Mains.....	01/15/15	3.00 - 4.00	2,000	-	(1,000)	1,000
Water Mains.....	08/15/29	2.00 - 3.00	1,578,000	-	(105,000)	1,473,000
Well.....	03/15/31	2.00 - 5.00	310,000	-	(20,000)	290,000
Total water enterprise fund.....			\$ 4,009,000	\$ -	\$ (331,000)	\$ 3,678,000

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

Fiscal Year	Principal	Interest	Total
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.....	\$ 3,678,000	\$ 955,795	\$ 4,633,795

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 LONG-TERM DEBT (CONTINUED)

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 2014, the Town's subsidy totaled approximately \$21,000. Future subsidies total approximately \$153,000. The amount of MWPAT bonds outstanding at June 30, 2014, totaled \$442,610.

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, 2014, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Solar electricity generating facility.....	\$ 500,000
Vehicles.....	413,456 *
School feasibility study.....	250,000
Public safety design.....	<u>145,000 *</u>
 Total.....	 <u>\$ 1,308,456</u>

* At June 30, 2014, BANs totaling \$443,456 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 \$60,500,000.

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 \$1,215,434 as the estimate of the landfill post-closure care liability at June 30, 2014. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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 standalone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

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. Dental insurance is voluntary and if elected, the 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:

	<u>Amount</u>
Annual required contribution.....	\$ 1,838,811
Interest on net OPEB obligation.....	275,365
Adjustment to annual required contribution.....	<u>(351,294)</u>
Annual OPEB cost.....	1,762,882
Contributions made.....	<u>(373,538)</u>
Increase in net OPEB obligation.....	1,389,344
Net OPEB obligation at beginning of year.....	<u>6,860,554</u>
Net OPEB obligation at end of year.....	<u><u>\$ 8,249,898</u></u>

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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, 2012.....	1,690,433	25.0%	5,617,079
June 30, 2013.....	1,679,694	26.0%	6,860,554
June 30, 2014.....	1,762,882	21.2%	8,249,898

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.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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

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

Governmental Activities:

General government.....	\$	143,093
Public safety.....		407,637
Education.....		990,830
Public works.....		113,953
Health and human services.....		13,882
Culture and recreation.....		60,223
		60,223

Total AOPEBC - governmental activities.....		1,729,618
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Business-Type Activities:

Water.....		33,264
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Total AOPEBC.....	\$	1,762,882
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**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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.....	\$ -	\$ -	\$ -	\$ 112,028	\$ 112,028
Restricted:					
Debt service.....	172,984	-	-	-	172,984
Community preservation.....	-	3,806,458	-	-	3,806,458
School construction.....	-	-	683,443	-	683,443
Kunde conservation trust.....	-	-	-	302,442	302,442
Kunde library conservation trust.....	-	-	-	170,172	170,172
Affordable housing.....	-	-	-	221,959	221,959
School lunch.....	-	-	-	17,403	17,403
General government.....	-	-	-	307,722	307,722
Public safety.....	-	-	-	210,997	210,997
Education.....	-	-	-	613,584	613,584
Public works.....	-	-	-	62,235	62,235
Health and human services.....	-	-	-	240	240
Culture and recreation.....	-	-	-	139,927	139,927
Sub-total - Restricted.....	<u>172,984</u>	<u>3,806,458</u>	<u>683,443</u>	<u>2,046,681</u>	<u>6,709,566</u>
Committed:					
Subsequent year's expenditures.....	118,563	-	-	-	118,563
Continuing appropriations.....	61,007	-	-	-	61,007
Sub-total - Committed.....	<u>179,570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>179,570</u>
Assigned:					
Encumbrances.....	<u>570,169</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>570,169</u>
Unassigned	<u>2,275,816</u>	<u>-</u>	<u>-</u>	<u>(391,045)</u>	<u>1,884,771</u>
Total fund balances.....	<u>\$ 3,198,539</u>	<u>\$ 3,806,458</u>	<u>\$ 683,443</u>	<u>\$ 1,767,664</u>	<u>\$ 9,456,104</u>

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, 2014 totals \$1,024,937 and is reported as unassigned fund balance in the general fund.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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 2014, the Town received approximately \$96,000 in lease payments, which are recorded as other revenue in the water enterprise fund.

Lease payment requirements in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Payment</u>
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.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 16 PENSION PLAN (CONTINUED)

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, 2014, 2013, and 2012 were \$1,360,085, \$1,334,335, and \$1,272,286, respectively, which equaled its required contribution for each fiscal year.

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 \$1,728,000 for the fiscal year ended June 30, 2014.

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, 2014, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2014.

The Town participates in a number of federal award programs. The programs are 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.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 19 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

The GASB has issued the following 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 represent a significant change in the accounting and reporting of pension expense and the related liability. For the first time, the Town will be required to recognize its long-term obligation for pension benefits as a liability and to more comprehensively measure the annual costs of pension benefits. The implementation of this Statement also expands pension related note disclosures and required supplementary information.
- 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. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which is required to be implemented during fiscal year 2015. The implementation of this Statement will require the Town, in the transition year of the Statement No. 68, to recognize contributions to defined benefit pension plans between the measurement date of the reported net pension liability and the end of the government's reporting period as a deferred outflow of resources.

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

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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, 2014

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real Estate and Personal Property Taxes	\$ -	\$ 25,838,100	\$ -	\$ 25,838,100
Motor Vehicle and Other Excise Taxes	-	1,405,000	-	1,405,000
Tax Liens	-	-	-	-
Payments in Lieu of Taxes	-	67,000	-	67,000
Trash Disposal	-	320,000	-	320,000
Intergovernmental	-	4,758,850	-	4,758,850
Penalties and Interest on Taxes	-	74,000	-	74,000
Licenses and Permits	-	283,000	-	283,000
Fines and Forfeitures	-	22,000	-	22,000
Departmental and Other	-	232,000	-	232,000
Investment Income	-	7,500	-	7,500
Total Revenues	-	33,007,450	-	33,007,450
EXPENDITURES				
Current:				
General Government	19,439	2,238,803	(236,619)	2,021,623
Public Safety	10,697	3,933,723	142,292	4,086,712
Education	384,063	18,447,003	141,603	18,972,669
Public Works	59,796	1,781,154	499,367	2,340,317
Health and Human Services	259	165,817	53,115	219,191
Culture and Recreation	-	587,836	76,000	663,836
Pension Benefits	-	1,388,137	(49,663)	1,338,474
Employee Benefits	-	2,155,348	(160,337)	1,995,011
Property and Liability Insurance	-	300,000	(25,513)	274,487
State and County Charges	-	374,843	-	374,843
Debt Service:				
Principal	-	1,530,141	-	1,530,141
Interest	-	775,161	-	775,161
Total Expenditures	474,254	33,677,966	440,245	34,592,465
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(474,254)	(670,516)	(440,245)	(1,585,015)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	388,916	16,240	405,156
Transfers Out	-	(56,880)	-	(56,880)
Total Other Financing Sources (Uses)	-	332,036	16,240	348,276
NET CHANGE IN FUND BALANCE	(474,254)	(338,480)	(424,005)	(1,236,739)
Fund Balance - Beginning of Year	1,690,018	1,690,018	1,690,018	1,690,018
FUND BALANCE - END OF YEAR	\$ 1,215,764	\$ 1,351,538	\$ 1,266,013	\$ 453,279

See accompanying Notes to Required Supplementary Information.

	Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$	25,703,388	\$ -	\$ 25,703,388	\$ (134,712)
	1,525,750	-	1,525,750	120,750
	58,150	-	58,150	58,150
	78,267	-	78,267	11,267
	338,142	-	338,142	18,142
	5,228,523	-	5,228,523	469,673
	76,185	-	76,185	2,185
	447,603	-	447,603	164,603
	29,688	-	29,688	7,688
	192,634	-	192,634	(39,366)
	7,742	-	7,742	242
	<u>33,686,072</u>	<u>-</u>	<u>33,686,072</u>	<u>678,622</u>
	1,789,387	171,016	1,960,403	61,220
	3,997,265	39,284	4,036,549	50,163
	18,406,504	374,599	18,781,103	191,566
	2,196,482	46,277	2,242,759	97,558
	202,710	-	202,710	16,481
	646,760	-	646,760	17,076
	1,315,890	-	1,315,890	22,584
	1,986,161	-	1,986,161	8,850
	274,487	-	274,487	-
	403,683	-	403,683	(28,840)
	1,530,141	-	1,530,141	-
	765,901	-	765,901	9,260
	<u>33,515,371</u>	<u>631,176</u>	<u>34,146,547</u>	<u>445,918</u>
	<u>170,701</u>	<u>(631,176)</u>	<u>(460,475)</u>	<u>1,124,540</u>
	405,156	-	405,156	-
	<u>(58,375)</u>	<u>-</u>	<u>(58,375)</u>	<u>(1,495)</u>
	<u>346,781</u>	<u>-</u>	<u>346,781</u>	<u>(1,495)</u>
	517,482	(631,176)	(113,694)	1,123,045
	1,690,018	-	1,690,018	-
\$	<u><u>2,207,500</u></u>	<u><u>(631,176)</u></u>	<u><u>1,576,324</u></u>	<u><u>1,123,045</u></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, 2014

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Community Preservation Surcharges	\$ -	\$ 184,000	\$ -	\$ 184,000
Tax Liens	-	-	-	-
Penalties and Interest on Taxes	-	-	-	-
Intergovernmental	-	422,632	-	422,632
Investment Income	-	800	-	800
Total Revenues	-	607,432	-	607,432
EXPENDITURES				
Current:				
Administrative	-	35,000	-	35,000
Acquisitions and Projects	916,553	408,000	-	1,324,553
Total Expenditures	916,553	443,000	-	1,359,553
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(916,553)	164,432	-	(752,121)
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(200,000)	-	(200,000)
NET CHANGE IN FUND BALANCE	(916,553)	(35,568)	-	(952,121)
Fund Balance - Beginning of Year	4,374,559	4,374,559	4,374,559	4,374,559
FUND BALANCE - END OF YEAR	\$ 3,458,006	\$ 4,338,991	\$ 4,374,559	\$ 3,422,438

See accompanying Notes to Required Supplementary Information.

	Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$	193,819	\$ -	\$ 193,819	\$ 9,819
	830	-	830	830
	724	-	724	724
	422,632	-	422,632	-
	57	-	57	(743)
	<u>618,062</u>	<u>-</u>	<u>618,062</u>	<u>10,630</u>
	16,796	-	16,796	18,204
	<u>969,367</u>	<u>354,840</u>	<u>1,324,207</u>	<u>346</u>
	<u>986,163</u>	<u>354,840</u>	<u>1,341,003</u>	<u>18,550</u>
	<u>(368,101)</u>	<u>(354,840)</u>	<u>(722,941)</u>	<u>29,180</u>
	<u>(200,000)</u>	<u>-</u>	<u>(200,000)</u>	<u>-</u>
	(568,101)	(354,840)	(922,941)	29,180
	<u>4,374,559</u>	<u>-</u>	<u>4,374,559</u>	<u>-</u>
\$	<u><u>3,806,458</u></u>	<u><u>(354,840)</u></u>	<u><u>3,451,618</u></u>	<u><u>29,180</u></u>

**TOWN OF NORFOLK, MASSACHUSETTS
PENSION PLAN SCHEDULES
YEAR ENDED JUNE 30, 2014**

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 Accrued 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 (%)
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
2013	42,461,369	100

TOWN SHARE OF SYSTEM ARC

Year Ended June 30	ARC	Percentage of ARC Contributed (%)	Town ARC as a Percentage of System ARC (%)
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%
2014	1,360,085	100	3.2%

**TOWN OF NORFOLK, MASSACHUSETTS
OTHER POSTEMPLOYMENT BENEFITS SCHEDULES
YEAR ENDED JUNE 30, 2014**

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 July 1, 2008 valuation to the July 1, 2010 valuation.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
JUNE 30, 2014**

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, 2014, 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.....	\$ 33,686,072	\$ 34,146,547	\$ 346,781	\$ 1,576,324
<u>Reclassifications</u>				
Activity of stabilization fund recorded in the general fund for GAAP purposes.....	2,452	-	(97,916)	1,024,937
<u>Adjustments</u>				
Net change in recording 60-day receipts.....	(14,211)	-	-	64,450
Net change in recording tax refunds payable.....	(7,832)	-	-	(98,348)
To record activity for MTRS on-behalf payments.....	1,727,720	1,727,720	-	-
To record encumbrances and continuing appropriations.....	-	(631,176)	-	631,176
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	<u>\$ 35,394,201</u>	<u>\$ 35,243,091</u>	<u>\$ 248,865</u>	<u>\$ 3,198,539</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.....	\$ 1,341,003	\$ 3,451,618
<u>Adjustments</u>		
To record encumbrances and continuing appropriations.....	<u>(354,840)</u>	<u>354,840</u>
GAAP basis as reported on the statement of revenues expenditures and changes in fund balances.....	<u>\$ 986,163</u>	<u>\$ 3,806,458</u>