

TOWN OF NORFOLK, MASSACHUSETTS
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

**TOWN OF NORFOLK, MASSACHUSETTS
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YEAR ENDED JUNE 30, 2016**

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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 (the Town), as of and for the year ended June 30, 2016, 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2016, 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 61 through 68) 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 February 16, 2017 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
February 16, 2017

**TOWN OF NORFOLK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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, 2016.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$43,446,624 (net position).
- The Town's total net position decreased \$1,758,129.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$3,239,702, or 8.5% of total general fund expenditures and transfers out.
- The Town's total bonded debt decreased by \$1,810,595 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 deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position 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.).

**TOWN OF NORFOLK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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.

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 many 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), elementary school construction (capital project), police/dispatch center (capital project), and vehicles (capital project) funds, each of which is considered to be a major fund. Data from the other 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.

**TOWN OF NORFOLK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Proprietary Funds

The Town maintains one type of proprietary fund.

The *enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water and wastewater treatment operations. The water enterprise fund is considered to be a major fund, while the wastewater enterprise fund is considered nonmajor.

The basic proprietary fund financial statements can be found on pages 21-23 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

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 26-60 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 61-68 of this report.

**TOWN OF NORFOLK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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 and deferred outflows exceeded its liabilities and deferred inflows of resources by \$43,446,624 at the close of the fiscal year and are summarized as follows:

| | <i>Governmental Activities</i> | | <i>Business-Type Activities</i> | | <i>Total</i> | |
|---|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Assets | | | | | | |
| Current Assets | \$ 14,037,425 | \$ 13,024,467 | \$ 2,130,865 | \$ 1,863,365 | \$ 16,168,290 | \$ 14,887,832 |
| Noncurrent assets (excluding Capital Assets) | 650,336 | 625,409 | 127,746 | 162,436 | 778,082 | 787,845 |
| Capital Assets (Net) | 62,628,951 | 65,134,960 | 16,691,869 | 17,022,040 | 79,320,820 | 82,157,000 |
| Total Assets | <u>77,316,712</u> | <u>78,784,836</u> | <u>18,950,480</u> | <u>19,047,841</u> | <u>96,267,192</u> | <u>97,832,677</u> |
| Deferred Outflows of Resources | <u>2,592,886</u> | <u>648,489</u> | <u>56,268</u> | <u>12,289</u> | <u>2,649,154</u> | <u>660,778</u> |
| Liabilities | | | | | | |
| Current Liabilities (excluding Debt) | 2,111,726 | 1,748,495 | 194,182 | 124,507 | 2,305,908 | 1,873,002 |
| Noncurrent Liabilities (excluding Debt) | 28,048,723 | 26,191,372 | 499,849 | 422,648 | 28,548,572 | 26,614,020 |
| Current Debt | 4,516,273 | 4,377,439 | 390,690 | 397,535 | 4,906,963 | 4,774,974 |
| Noncurrent Debt | 15,607,820 | 17,014,649 | 2,612,000 | 2,975,000 | 18,219,820 | 19,989,649 |
| Total Liabilities | <u>50,284,542</u> | <u>49,331,955</u> | <u>3,696,721</u> | <u>3,919,690</u> | <u>53,981,263</u> | <u>53,251,645</u> |
| Deferred Inflows of Resources | <u>1,458,338</u> | <u>37,057</u> | <u>30,121</u> | <u>-</u> | <u>1,488,459</u> | <u>37,057</u> |
| Net Position | | | | | | |
| Net Investment in Capital Assets | 43,671,046 | 44,949,165 | 13,691,261 | 13,651,587 | 57,362,307 | 58,600,752 |
| Restricted | 6,657,015 | 6,553,532 | - | - | 6,657,015 | 6,553,532 |
| Unrestricted | (22,161,343) | (21,438,384) | 1,588,645 | 1,488,853 | (20,572,698) | (19,949,531) |
| Total Net Position | <u>\$ 28,166,718</u> | <u>\$ 30,064,313</u> | <u>\$ 15,279,906</u> | <u>\$ 15,140,440</u> | <u>\$ 43,446,624</u> | <u>\$ 45,204,753</u> |

The largest portion of the Town's net position 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 represents resources that are subject to external restrictions on how they may be used.

Unrestricted net position of \$1,588,645 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 pension and other postemployment benefits liabilities.

**TOWN OF NORFOLK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Changes in Net Position

For the fiscal year ended June 30, 2016, the Town's total net position decreased by \$1,758,129 compared to a decrease of \$230,141 in the prior fiscal year. These amounts are summarized as follows:

| | <i>Governmental Activities</i> | | <i>Business-Type Activities</i> | | <i>Total</i> | |
|--|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Revenues | | | | | | |
| <i>Program Revenues:</i> | | | | | | |
| Charges for Services | \$ 3,005,884 | \$ 2,949,505 | \$ 1,687,775 | \$ 1,751,067 | \$ 4,693,659 | \$ 4,700,572 |
| Operating Grants and Contributions | 7,064,064 | 5,791,522 | 30,019 | 29,039 | 7,094,083 | 5,820,561 |
| Capital Grants and Contributions | 975,520 | 878,431 | - | 438,600 | 975,520 | 1,317,031 |
| <i>General Revenues:</i> | | | | | | |
| Real estate and Personal Property Taxes | 28,631,972 | 27,209,445 | - | - | 28,631,972 | 27,209,445 |
| Motor Vehicle and Other Excise Taxes | 1,883,132 | 1,678,806 | - | - | 1,883,132 | 1,678,806 |
| Penalties and Interest on Taxes | 129,732 | 155,200 | - | - | 129,732 | 155,200 |
| Payments in Lieu of Taxes | 67,174 | 70,030 | - | - | 67,174 | 70,030 |
| Community Preservation Surcharges | 221,572 | 210,088 | - | - | 221,572 | 210,088 |
| Grants and Contributions Not Restricted to Specific Programs | 966,182 | 914,534 | - | - | 966,182 | 914,534 |
| Unrestricted Investment Income | 43,894 | 7,366 | - | - | 43,894 | 7,366 |
| Total Revenues | 42,989,126 | 39,864,927 | 1,717,794 | 2,218,706 | 44,706,920 | 42,083,633 |
| Expenses | | | | | | |
| General Government | 3,299,328 | 3,832,466 | - | - | 3,299,328 | 3,832,466 |
| Public Safety | 6,790,377 | 6,241,719 | - | - | 6,790,377 | 6,241,719 |
| Education | 28,584,187 | 24,582,344 | - | - | 28,584,187 | 24,582,344 |
| Public Works | 3,290,434 | 3,260,654 | - | - | 3,290,434 | 3,260,654 |
| Health and Human Services | 739,318 | 656,383 | - | - | 739,318 | 656,383 |
| Culture and Recreation | 1,494,033 | 1,531,964 | - | - | 1,494,033 | 1,531,964 |
| Debt Service - Interest | 689,044 | 716,081 | - | - | 689,044 | 716,081 |
| Water and Wastewater | - | - | 1,578,328 | 1,492,163 | 1,578,328 | 1,492,163 |
| Total Expenses | 44,886,721 | 40,821,611 | 1,578,328 | 1,492,163 | 46,465,049 | 42,313,774 |
| Change in Net Position | (1,897,595) | (956,684) | 139,466 | 726,543 | (1,758,129) | (230,141) |
| Net position - Beginning of Year | 30,064,313 | 31,020,997 | 15,140,440 | 14,413,897 | 45,204,753 | 45,434,894 |
| Net position - End of Year | <u>\$ 28,166,718</u> | <u>\$ 30,064,313</u> | <u>\$ 15,279,906</u> | <u>\$ 15,140,440</u> | <u>\$ 43,446,624</u> | <u>\$ 45,204,753</u> |

Governmental activities decreased the Town's net position by \$1,897,595. In the prior year, governmental activities decreased the Town's net position by \$956,684. The key element of this change is an increase of Education expenses due to the first year of depreciation taken on the Freeman-Kennedy School construction project.

Business-type activities increased the Town's net position by \$139,466. In the prior year, business-type activities increased the Town's net position by \$726,543. The key element of this change is the contributed capital related to the assets of the new wastewater enterprise fund which was acquired by the Town in the previous fiscal year.

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.

**TOWN OF NORFOLK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$8,492,832, an increase of \$570,962 in comparison with the prior year. \$1,140,233 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable - \$53,363
- Restricted - \$6,619,993
- Committed - \$358,847
- Assigned - \$320,396

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 \$3,239,702, while total fund balance was \$4,071,579. 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 8.5% of total general fund expenditures and transfers out, while total fund balance represents 10.6% of that same amount.

The fund balance of the Town's general fund increased \$813,116 during fiscal year 2016. Although the Town recognized an approximate \$2,208,000 budgetary surplus (before encumbrances and continuing appropriations), approximately \$1,492,000 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 \$148,974 during the current fiscal year. The fund recognized \$213,960 in surcharges, \$59,776 in intergovernmental revenues, \$3,044 in tax liens, \$1,767 in investment income and \$1,383 in penalties and interest on taxes. Expenditures of \$28,904 were incurred during the fiscal year. The fund also transferred \$400,000 to the municipal housing fund (nonmajor governmental fund).

The fund balance of the elementary school construction fund (capital project) decreased by \$130,460 during the current fiscal year from expenditures incurred.

The fund balance of the police/dispatch center fund (capital project) decreased by \$154,427 during the current fiscal year from expenditures incurred.

The fund balance of the vehicles (capital project) increased by \$111,962 during the current fiscal year. Expenditures of \$1,438 were incurred during the fiscal year. The fund was transferred \$113,400 from the general fund.

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 and wastewater enterprise funds at the end of the year amounted to \$1,573,241 and \$15,404 respectively. The water fund had an increase in net position for the year of \$193,093 and the wastewater fund had a decrease in net position for the year of \$53,627. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

**TOWN OF NORFOLK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

General Fund Budgetary Highlights

The original general fund budget of \$36,839,038 was increased by \$476,274 (1.3%) during the fiscal year. The following table summarizes the increase:

| <u>Purpose of Increase</u> | <u>Amount</u> | <u>Funding Source</u> |
|--------------------------------|--------------------------|-----------------------------|
| Snow and ice | \$ 239,876 | Unassigned fund balance |
| Health insurance | 130,000 | Unassigned fund balance |
| Capital expenses | 33,000 | Unassigned fund balance |
| Reserve fund | 25,000 | Unassigned fund balance |
| Trash compactor and compressor | 21,500 | Unassigned fund balance |
| Snow and ice | 16,150 | Transfer from other fund(s) |
| Fire department stretcher | 7,000 | Unassigned fund balance |
| Norfolk agricultural school | 3,748 | Unassigned fund balance |
| Total Net Increase | <u>\$ 476,274</u> | |

During the year, revenues and other financing uses were greater than budgetary estimates, while expenditures, encumbrances and continuing appropriations were less than budgetary estimates, resulting in a positive budget to actual variance of \$1,851,998.

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 \$79,320,820 (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 decrease in the investment in capital assets for the current fiscal year totaled \$2,836,180 or 3.45%.

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

- Infrastructure improvements (\$372,502)
- Ambulance purchase (\$259,000)
- Police dispatch center construction in progress (\$154,428)

**TOWN OF NORFOLK, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| Land | \$ 10,645,415 | \$ 10,301,315 | \$ 1,142,571 | \$ 1,142,571 | \$ 11,787,986 | \$ 11,443,886 |
| Construction in Progress | 1,771,747 | 33,287,701 | 102,398 | - | 1,874,145 | 33,287,701 |
| Land Improvements | 1,606,854 | 1,707,431 | - | - | 1,606,854 | 1,707,431 |
| Buildings | 39,034,774 | 10,136,935 | 373,401 | 385,760 | 39,408,175 | 10,522,695 |
| Machinery and Equipment | 1,575,516 | 1,876,155 | 652,974 | 729,035 | 2,228,490 | 2,605,190 |
| Vehicles | 1,210,774 | 967,508 | 16,335 | 22,869 | 1,227,109 | 990,377 |
| Infrastructure | 6,783,871 | 6,857,915 | 14,404,190 | 14,741,805 | 21,188,061 | 21,599,720 |
| Total Capital Assets | \$ 62,628,951 | \$ 65,134,960 | \$ 16,691,869 | \$ 17,022,040 | \$ 79,320,820 | \$ 82,157,000 |

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

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$19,989,649, 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>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| General Obligation Bonds | \$ 16,885,000 | \$ 18,328,000 | \$ 2,745,000 | \$ 3,071,000 | \$ 19,630,000 | \$ 21,399,000 |
| MCWT Notes | 129,649 | 141,244 | 230,000 | 260,000 | 359,649 | 401,244 |
| Total Bonds and Notes | \$ 17,014,649 | \$ 18,469,244 | \$ 2,975,000 | \$ 3,331,000 | \$ 19,989,649 | \$ 21,800,244 |

The Town's total bonded debt decreased by \$1,810,595 (8.3%) during the current fiscal year.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The development of the fiscal year 2017 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 \$1,100,000. On the expense side, a majority of Town employees are covered by collective bargaining agreements, therefore salary and benefit increases in fiscal year 2017 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
JUNE 30, 2016**

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 Finance Director, Town Hall, One Liberty Lane, Norfolk, Massachusetts 02056.

**TOWN OF NORFOLK, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2016**

| | Primary Government | | |
|--|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 4,426,855 | \$ 1,644,250 | \$ 6,071,105 |
| Restricted Cash and Cash Equivalents | 6,880,769 | 8,552 | 6,889,321 |
| Investments | 412,410 | - | 412,410 |
| Restricted Investments | 520,894 | - | 520,894 |
| Receivables, Net of Allowance for Uncollectible Amounts: | | | - |
| Real Estate and Personal Property Taxes | 435,080 | - | 435,080 |
| Tax, Trash and Utility Liens | 641,629 | 23,155 | 664,784 |
| Motor Vehicle and Other Excise Taxes | 108,679 | - | 108,679 |
| Community Preservation Surcharges | 2,690 | - | 2,690 |
| User Charges | - | 427,923 | 427,923 |
| Special Assessments | 3,963 | 26,985 | 30,948 |
| Intergovernmental | 591,429 | - | 591,429 |
| Prepaid Expenses | 13,027 | - | 13,027 |
| Total Current Assets | 14,037,425 | 2,130,865 | 16,168,290 |
| Noncurrent Assets: | | | |
| Receivables, Net of Allowance for Uncollectible Amounts: | | | |
| Real Estate Tax Deferrals | 3,179 | - | 3,179 |
| Special Assessments | 23,778 | 127,746 | 151,524 |
| Tax Foreclosures | 623,379 | - | 623,379 |
| Capital Assets not being Depreciated | 12,417,162 | 1,244,969 | 13,662,131 |
| Capital Assets, Net of Accumulated Depreciation | 50,211,789 | 15,446,900 | 65,658,689 |
| Total Noncurrent Assets | 63,279,287 | 16,819,615 | 80,098,902 |
| Total Assets | 77,316,712 | 18,950,480 | 96,267,192 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Related to Pension | 2,592,886 | 56,268 | 2,649,154 |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Warrants Payable | 408,774 | 136,417 | 545,191 |
| Accrued Payroll | 292,850 | 8,282 | 301,132 |
| Tax Refunds Payable | 129,316 | - | 129,316 |
| Other Liabilities | 491,922 | - | 491,922 |
| Accrued Interest | 196,609 | 49,483 | 246,092 |
| Landfill Post-Closure | 83,255 | - | 83,255 |
| Compensated Absences | 509,000 | - | 509,000 |
| Short-Term Notes Payable | 3,109,444 | 27,690 | 3,137,134 |
| Long-Term Bonds and Notes Payable | 1,406,829 | 363,000 | 1,769,829 |
| Total Current Liabilities | 6,627,999 | 584,872 | 7,212,871 |
| Noncurrent Liabilities: | | | |
| Landfill Post-Closure | 978,460 | - | 978,460 |
| Compensated Absences | 150,000 | - | 150,000 |
| Net Pension Liability | 16,469,643 | 357,410 | 16,827,053 |
| Net OPEB Obligation | 10,450,620 | 142,439 | 10,593,059 |
| Long-Term Bonds and Notes Payable | 15,607,820 | 2,612,000 | 18,219,820 |
| Total Noncurrent Liabilities | 43,656,543 | 3,111,849 | 46,768,392 |
| Total Liabilities | 50,284,542 | 3,696,721 | 53,981,263 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Taxes Paid in Advance | 70,327 | - | 70,327 |
| Deferred Inflows Related to Pension | 1,388,011 | 30,121 | 1,418,132 |
| Total Deferred Inflows of Resources | 1,458,338 | 30,121 | 1,488,459 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 43,671,046 | 13,691,261 | 57,362,307 |
| Restricted for: | | | |
| Community Preservation | 3,643,475 | - | 3,643,475 |
| Debt Service | 152,634 | - | 152,634 |
| Elementary School Construction | 477,457 | - | 477,457 |
| Permanent Funds: | | | |
| Expendable | 610,950 | - | 610,950 |
| Nonexpendable | 53,363 | - | 53,363 |
| Other Specific Purposes | 1,719,136 | - | 1,719,136 |
| Unrestricted | (22,161,343) | 1,588,645 | (20,572,698) |
| Total Net Position | \$ 28,166,718 | \$ 15,279,906 | \$ 43,446,624 |

See accompanying Notes to the Basic Financial Statements.

**TOWN OF NORFOLK, MASSACHUSETTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

| 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 | \$ 3,299,328 | \$ 294,309 | \$ 290,738 | \$ 214,331 | \$ (2,499,950) |
| Public Safety | 6,790,377 | 879,828 | 49,236 | 259,000 | (5,602,313) |
| Education | 28,584,187 | 926,734 | 5,754,273 | - | (21,903,180) |
| Public Works | 3,290,434 | 444,320 | 503,673 | 439,130 | (1,903,311) |
| Health and Human Services | 739,318 | 92,601 | 401,139 | 63,059 | (182,519) |
| Culture and Recreation | 1,494,033 | 368,092 | 65,005 | - | (1,060,936) |
| Debt Service-Interest | 689,044 | - | - | - | (689,044) |
| Total Governmental Activities | <u>44,886,721</u> | <u>3,005,884</u> | <u>7,064,064</u> | <u>975,520</u> | <u>(33,841,253)</u> |
| Business-Type Activities: | | | | | |
| Water | 1,464,703 | 1,627,777 | 30,019 | - | 193,093 |
| Wastewater | 113,625 | 59,998 | - | - | (53,627) |
| Total Business-Type Activities | <u>1,578,328</u> | <u>1,687,775</u> | <u>30,019</u> | <u>-</u> | <u>139,466</u> |
| Total Primary Governments | <u>\$ 46,465,049</u> | <u>\$ 4,693,659</u> | <u>\$ 7,094,083</u> | <u>\$ 975,520</u> | <u>\$ (33,701,787)</u> |

See accompanying Notes to the Basic Financial Statements.

**TOWN OF NORFOLK, MASSACHUSETTS
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2016**

| | Primary Government | | |
|---|-----------------------------|-----------------------------|-----------------------------|
| | Governmental Activities | Business-type Activities | Total |
| CHANGES IN NET POSITION | | | |
| Net (Expense) Revenue (From Previous Page) | \$ (33,841,253) | \$ 139,466 | \$ (33,701,787) |
| General Revenues: | | | |
| Real Estate and Personal Property Taxes | 28,631,972 | - | 28,631,972 |
| Motor Vehicle and Other Excise Taxes | 1,883,132 | - | 1,883,132 |
| Penalties and Interest on Taxes | 129,732 | - | 129,732 |
| Payments in Lieu of Taxes | 67,174 | - | 67,174 |
| Community Preservation Surcharges | 221,572 | - | 221,572 |
| Grants and Contributions not Restricted to Specific Programs | 966,182 | - | 966,182 |
| Unrestricted Investment Income | 43,894 | - | 43,894 |
| Total General Revenues | <u>31,943,658</u> | <u>-</u> | <u>31,943,658</u> |
| CHANGE IN NET POSITION | (1,897,595) | 139,466 | (1,758,129) |
| Net Position - Beginning of Year | <u>30,064,313</u> | <u>15,140,440</u> | <u>45,204,753</u> |
| NET POSITION - END OF YEAR | <u><u>\$ 28,166,718</u></u> | <u><u>\$ 15,279,906</u></u> | <u><u>\$ 43,446,624</u></u> |

See accompanying Notes to the Basic Financial Statements.

**TOWN OF NORFOLK, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016**

| ASSETS | <u>General</u> | <u>Community Preservation</u> | <u>Elementary School Construction</u> |
|---|-------------------------|-----------------------------------|---|
| Cash and Cash Equivalents | \$ 4,426,855 | \$ - | \$ - |
| Investments | 412,410 | - | - |
| Receivables, Net of Allowance for Uncollectible Amounts: | | | |
| Real Estate and Personal Property Taxes | 435,080 | - | - |
| Real Estate Tax Deferrals | 3,179 | - | - |
| Tax and Trash Liens | 634,640 | 6,989 | - |
| Motor Vehicle and Other Excise taxes | 108,679 | - | - |
| Community Preservation Surcharges | - | 2,690 | - |
| Special Assessments | 27,741 | - | - |
| Intergovernmental | 42,842 | - | 477,457 |
| Prepaid Expenditures | 13,027 | - | - |
| Tax Foreclosures | 623,379 | - | - |
| Restricted Assets: | | | |
| Cash and Cash Equivalents | 152,634 | 3,634,929 | 26,019 |
| Investments | - | - | - |
| Total Assets | <u>\$ 6,880,466</u> | <u>\$ 3,644,608</u> | <u>\$ 503,476</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Warrants Payable | \$ 265,912 | \$ - | \$ - |
| Accrued Payroll | 282,383 | - | - |
| Tax Refunds Payable | 129,316 | - | - |
| Other Liabilities | 379,464 | - | - |
| Short-Term Notes Payable | - | - | - |
| Total Liabilities | <u>1,057,075</u> | <u>-</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable Revenue | 1,682,618 | 9,678 | - |
| Taxes Paid in Advance | 69,194 | 1,133 | - |
| Total Deferred Inflows of Resources | <u>1,751,812</u> | <u>10,811</u> | <u>-</u> |
| FUND BALANCES | | | |
| Nonspendable | - | - | - |
| Restricted | 152,634 | 3,633,797 | 503,476 |
| Committed | 358,847 | - | - |
| Assigned | 320,396 | - | - |
| Unassigned | 3,239,702 | - | - |
| Total Fund Balances | <u>4,071,579</u> | <u>3,633,797</u> | <u>503,476</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 6,880,466</u> | <u>\$ 3,644,608</u> | <u>\$ 503,476</u> |

See accompanying Notes to the Basic Financial Statements

| Police/ Dispatch Center | Vehicles | Nonmajor Governmental Funds | Total Governmental Funds |
|-------------------------------|------------------|-----------------------------------|--------------------------------|
| \$ - | \$ - | \$ - | \$ 4,426,855 |
| - | - | - | 412,410 |
| - | - | - | 435,080 |
| - | - | - | 3,179 |
| - | - | - | 641,629 |
| - | - | - | 108,679 |
| - | - | - | 2,690 |
| - | - | - | 27,741 |
| - | - | 71,130 | 591,429 |
| - | - | - | 13,027 |
| - | - | - | 623,379 |
| 610,152 | 11,552 | 2,445,483 | 6,880,769 |
| - | - | 520,894 | 520,894 |
| <u>\$ 610,152</u> | <u>\$ 11,552</u> | <u>\$ 3,037,507</u> | <u>\$ 14,687,761</u> |

| | | | |
|------------------|----------------|----------------|------------------|
| \$ 74,137 | \$ - | \$ 68,725 | \$ 408,774 |
| - | - | 10,467 | 292,850 |
| - | - | - | 129,316 |
| - | - | 112,458 | 491,922 |
| 1,800,000 | 649,421 | 660,023 | 3,109,444 |
| <u>1,874,137</u> | <u>649,421</u> | <u>851,673</u> | <u>4,432,306</u> |

| | | | |
|---|---|---|------------------|
| - | - | - | 1,692,296 |
| - | - | - | 70,327 |
| - | - | - | <u>1,762,623</u> |

| | | | |
|--------------------|------------------|------------------|------------------|
| - | - | 53,363 | 53,363 |
| - | - | 2,330,086 | 6,619,993 |
| - | - | - | 358,847 |
| - | - | - | 320,396 |
| <u>(1,263,985)</u> | <u>(637,869)</u> | <u>(197,615)</u> | <u>1,140,233</u> |
| <u>(1,263,985)</u> | <u>(637,869)</u> | <u>2,185,834</u> | <u>8,492,832</u> |

| | | | |
|-------------------|------------------|---------------------|----------------------|
| <u>\$ 610,152</u> | <u>\$ 11,552</u> | <u>\$ 3,037,507</u> | <u>\$ 14,687,761</u> |
|-------------------|------------------|---------------------|----------------------|

**TOWN OF NORFOLK, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2016**

| | General | Community Preservation | Elementary School Construction |
|--|---------------------|---------------------------|--------------------------------------|
| REVENUES | | | |
| Real Estate and Personal Property Taxes | \$ 28,453,685 | \$ - | \$ - |
| Motor Vehicle and Other Excise Taxes | 1,845,291 | - | - |
| Tax and Trash Liens | 295,834 | 3,044 | - |
| Payments in Lieu of Taxes | 67,174 | - | - |
| Community Preservation Surcharges | - | 213,960 | - |
| Charges for Services | - | - | - |
| Trash Disposal | 312,468 | - | - |
| Intergovernmental | 6,773,129 | 59,776 | - |
| Penalties and Interest on Taxes | 128,349 | 1,383 | - |
| Licenses and Permits | 465,802 | - | - |
| Fines and Forfeitures | 17,963 | - | - |
| Departmental and Other | 292,388 | - | - |
| Contributions | - | - | - |
| Investment Income (Loss) | 43,894 | 1,767 | - |
| | <u>38,695,977</u> | <u>279,930</u> | <u>-</u> |
| Total Revenues | | | |
| EXPENDITURES | | | |
| Current: | | | |
| General Government | 2,134,235 | 28,904 | - |
| Public Safety | 4,735,407 | - | - |
| Education | 21,523,874 | - | 130,460 |
| Public Works | 1,948,488 | - | - |
| Health and Human Services | 220,381 | - | - |
| Culture and Recreation | 683,750 | - | - |
| Pension Benefits | 1,607,337 | - | - |
| Employee Benefits | 2,436,520 | - | - |
| Property and Liability Insurance | 308,166 | - | - |
| State and County Charges | 487,015 | - | - |
| Debt Service: | | | |
| Principal | 1,454,595 | - | - |
| Interest | 700,843 | - | - |
| | <u>38,240,611</u> | <u>28,904</u> | <u>130,460</u> |
| Total Expenditures | | | |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>455,366</u> | <u>251,026</u> | <u>(130,460)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In | 471,150 | - | - |
| Transfer Out | (113,400) | (400,000) | - |
| | <u>357,750</u> | <u>(400,000)</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | | | |
| NET CHANGE IN FUND BALANCES | 813,116 | (148,974) | (130,460) |
| Fund Balances - Beginning of Year | <u>3,258,463</u> | <u>3,782,771</u> | <u>633,936</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 4,071,579</u> | <u>\$ 3,633,797</u> | <u>\$ 503,476</u> |

See accompanying Notes to the Basic Financial Statements

| Police/ Dispatch Center | Vehicles | Nonmajor Governmental Funds | Total Governmental Funds |
|-------------------------------|--------------|-----------------------------------|--------------------------------|
| \$ - | \$ - | \$ - | \$ 28,453,685 |
| - | - | - | 1,845,291 |
| - | - | - | 298,878 |
| - | - | - | 67,174 |
| - | - | - | 213,960 |
| - | - | 1,139,235 | 1,139,235 |
| - | - | - | 312,468 |
| - | - | 1,280,491 | 8,113,396 |
| - | - | - | 129,732 |
| - | - | 9,075 | 474,877 |
| - | - | 1,725 | 19,688 |
| - | - | 1,145,613 | 1,438,001 |
| - | - | 394,572 | 394,572 |
| - | - | 39,832 | 85,493 |
| - | - | 4,010,543 | 42,986,450 |
| - | - | 797,925 | 2,961,064 |
| 154,427 | 1,438 | 308,336 | 5,199,608 |
| - | - | 1,489,550 | 23,143,884 |
| - | - | 742,390 | 2,690,878 |
| - | - | 143,317 | 363,698 |
| - | - | 378,130 | 1,061,880 |
| - | - | - | 1,607,337 |
| - | - | - | 2,436,520 |
| - | - | - | 308,166 |
| - | - | - | 487,015 |
| - | - | - | 1,454,595 |
| - | - | - | 700,843 |
| 154,427 | 1,438 | 3,859,648 | 42,415,488 |
| (154,427) | (1,438) | 150,895 | 570,962 |
| - | 113,400 | 400,000 | 984,550 |
| - | - | (471,150) | (984,550) |
| - | 113,400 | (71,150) | - |
| (154,427) | 111,962 | 79,745 | 570,962 |
| (1,109,558) | (749,831) | 2,106,089 | 7,921,870 |
| \$ (1,263,985) | \$ (637,869) | \$ 2,185,834 | \$ 8,492,832 |

**TOWN OF NORFOLK, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TOTAL
FUND BALANCES TO THE STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2016**

| | |
|---|-----------------------------|
| Total Governmental Fund Balances | \$ 8,492,832 |
| Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds | 62,628,951 |
| Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds | 1,692,296 |
| 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 | (196,609) |
| 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 | (17,014,649) |
| Landfill Post-Closure | (1,061,715) |
| Compensated Absences | (659,000) |
| Net Pension Liability | (16,469,643) |
| Net OPEB Obligation | (10,450,620) |
| In the statement of net position, deferred outflows of resources are reported for amounts related to pensions | 2,592,886 |
| In the statement of net position, deferred inflows of resources are reported for amounts related to pensions | <u>(1,388,011)</u> |
| Net Position of Governmental Activities | <u><u>\$ 28,166,718</u></u> |

See accompanying Notes to the Basic 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
YEAR ENDED JUNE 30, 2016

| | | |
|---|----|-------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | 570,962 |
| <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 | | 1,892,811 |
| Depreciation | | (4,398,820) |
| <p>Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources in the governmental funds. 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> | | |
| | | (79,099) |
| <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 premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. These amounts represent the related activity of the current period.</p> | | |
| Bond Maturities | | 1,454,595 |
| <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> | | |
| | | 11,799 |
| <p>Some expenses reported in the statement of 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 Post-Closure | | 79,267 |
| Compensated Absences | | (47,000) |
| Net Pension Liability | | (765,811) |
| Net OPEB Obligation | | (1,172,685) |
| <p>In the statement of activities, deferred inflows related to pensions are amortized and recognized as pension expense. This amount represents the net change in deferred inflows related to pensions</p> | | |
| | | (1,388,011) |
| <p>In the statement of activities, deferred outflows related to pensions are amortized and recognized as pension expense. This amount represents the net change in deferred outflows related to pensions.</p> | | |
| | | 1,944,397 |
| Changes in Net Position of Governmental Activities | \$ | (1,897,595) |

See accompanying Notes to the Basic Financial Statements.

**TOWN OF NORFOLK, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF FUND NET POSITION
 JUNE 30, 2016**

| | <u>Business-Type Activities - Enterprise Funds</u> | | |
|--|--|--------------------------------|----------------------|
| ASSETS | <u>Water</u> | <u>Nonmajor Wastewater</u> | <u>Total</u> |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 1,624,286 | \$ 19,964 | \$ 1,644,250 |
| Restricted Cash and Cash Equivalents | 8,552 | - | 8,552 |
| Receivables, Net of Allowance for Uncollectible Amounts: | | | |
| Utility Liens | 23,155 | - | 23,155 |
| User Charges | 427,923 | - | 427,923 |
| Special Assessments | 26,985 | - | 26,985 |
| Total Current Assets | <u>2,110,901</u> | <u>19,964</u> | <u>2,130,865</u> |
| Noncurrent Assets: | | | |
| Receivables, Net of Allowance for Uncollectible Amounts: | | | |
| Special Assessments | 127,746 | - | 127,746 |
| Capital Assets not being Depreciated | 1,244,969 | - | 1,244,969 |
| Capital Assets, Net of Accumulated Depreciation | <u>15,071,336</u> | <u>375,564</u> | <u>15,446,900</u> |
| Total Noncurrent Assets | <u>16,444,051</u> | <u>375,564</u> | <u>16,819,615</u> |
| Total Assets | <u>18,554,952</u> | <u>395,528</u> | <u>18,950,480</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Related to Pension | <u>56,268</u> | <u>-</u> | <u>56,268</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Warrants Payable | 131,938 | 4,479 | 136,417 |
| Accrued Payroll | 8,201 | 81 | 8,282 |
| Accrued Interest | 49,483 | - | 49,483 |
| Short-Term Notes Payable | 27,690 | - | 27,690 |
| Long-Term Bonds and Notes Payable | <u>363,000</u> | <u>-</u> | <u>363,000</u> |
| Total Current Liabilities | <u>580,312</u> | <u>4,560</u> | <u>584,872</u> |
| Noncurrent Liabilities: | | | |
| Net Pension Liability | 357,410 | - | 357,410 |
| Net OPEB Obligation | 142,439 | - | 142,439 |
| Long-Term Bonds and Notes Payable | <u>2,612,000</u> | <u>-</u> | <u>2,612,000</u> |
| Total Noncurrent Liabilities | <u>3,111,849</u> | <u>-</u> | <u>3,111,849</u> |
| Total Liabilities | <u>3,692,161</u> | <u>4,560</u> | <u>3,696,721</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Inflows Related to Pension | <u>30,121</u> | <u>-</u> | <u>30,121</u> |
| FUND NET POSITION | | | |
| Net Investment in Capital Assets | 13,315,697 | 375,564 | 13,691,261 |
| Unrestricted | <u>1,573,241</u> | <u>15,404</u> | <u>1,588,645</u> |
| Total Net Position | <u>\$ 14,888,938</u> | <u>\$ 390,968</u> | <u>\$ 15,279,906</u> |

See accompanying Notes to the Basic Financial Statements.

**TOWN OF NORFOLK, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 YEAR ENDED JUNE 30, 2016**

| | Business-Type Activities - Enterprise Funds | | |
|---|---|------------------------|----------------------|
| | Water | Nonmajor Wastewater | Total |
| OPERATING REVENUES | | | |
| Charges for Services | \$ 1,575,457 | \$ 59,998 | \$ 1,635,455 |
| Special Assessments | 9,386 | - | 9,386 |
| Penalties and Interest | 9,582 | - | 9,582 |
| Other | 33,352 | - | 33,352 |
| | <u>1,627,777</u> | <u>59,998</u> | <u>1,687,775</u> |
| Total Operating Revenues | | | |
| OPERATING EXPENSES | | | |
| Cost of Service and Administration | 921,064 | 71,601 | 992,665 |
| Depreciation | 400,895 | 42,024 | 442,919 |
| | <u>1,321,959</u> | <u>113,625</u> | <u>1,435,584</u> |
| Total Operating Expenses | | | |
| OPERATING INCOME | <u>305,818</u> | <u>(53,627)</u> | <u>252,191</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Intergovernmental | 29,343 | - | 29,343 |
| Investment Income | 676 | - | 676 |
| Interest Expense | (142,744) | - | (142,744) |
| | <u>(112,725)</u> | <u>-</u> | <u>(112,725)</u> |
| Total Nonoperating Revenues (Expenses), Net | | | |
| CHANGE IN FUND NET POSITION | <u>193,093</u> | <u>(53,627)</u> | <u>139,466</u> |
| Fund Net Position - Beginning of Year | <u>14,695,845</u> | <u>444,595</u> | <u>15,140,440</u> |
| FUND NET POSITION - END OF YEAR | <u>\$ 14,888,938</u> | <u>\$ 390,968</u> | <u>\$ 15,279,906</u> |

See accompanying Notes to the Basic Financial Statements.

**TOWN OF NORFOLK, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2016**

| | <u>Business-Type Activities - Enterprise Funds</u> | | |
|--|--|--------------------------------|---------------------|
| | <u>Water</u> | <u>Nonmajor Wastewater</u> | <u>Total</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from Customers and Users | \$ 1,683,568 | \$ 59,998 | \$ 1,743,566 |
| Payments to Vendors | (522,312) | (77,157) | (599,469) |
| Payments to Employees | (255,122) | (81) | (255,203) |
| Net Cash Provided by Operating Activities | <u>906,134</u> | <u>(17,240)</u> | <u>888,894</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Proceeds from the Issuance of Bonds and Notes | 27,690 | - | 27,690 |
| Acquisition and Construction of Capital Assets | (112,748) | - | (112,748) |
| Principal Payments on Bonds and Notes | (397,535) | - | (397,535) |
| Interest Paid | (118,376) | - | (118,376) |
| Net Cash Used by Capital and Related Financing Activities | <u>(600,969)</u> | <u>-</u> | <u>(600,969)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Investment Income | 676 | - | 676 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 305,841 | (17,240) | 288,601 |
| Cash and Cash Equivalents - Beginning of Year | 1,326,997 | 37,204 | 1,364,201 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 1,632,838</u> | <u>\$ 19,964</u> | <u>\$ 1,652,802</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES | | | |
| Operating Income | \$ 305,818 | \$ (53,627) | \$ 252,191 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | | | |
| Changes not Requiring Current Cash Flows: | | | |
| Depreciation | 400,895 | 42,024 | 442,919 |
| Net Pension Liability and Related | 45,969 | - | 45,969 |
| Net OPEB Obligation | 17,374 | - | 17,374 |
| Effect of Changes in Operating Assets and Liabilities: | | | |
| Utility Liens | (2,711) | - | (2,711) |
| User Charges | 17,304 | - | 17,304 |
| Special Assessments | 41,198 | - | 41,198 |
| Warrants Payable | 82,944 | (5,718) | 77,226 |
| Accrued Payroll | (2,657) | 81 | (2,576) |
| Total Adjustments | <u>600,316</u> | <u>36,387</u> | <u>636,703</u> |
| Net Cash Provided by Operating Activities | <u>\$ 906,134</u> | <u>\$ (17,240)</u> | <u>\$ 888,894</u> |
| NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | | | |
| Intergovernmental Debt Subsidies (MCWT) | <u>\$ 19,584</u> | <u>\$ -</u> | <u>\$ 19,584</u> |

See accompanying Notes to the Basic Financial Statements.

**TOWN OF NORFOLK, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016**

| ASSETS | Private Purpose Trust Funds | Agency Funds |
|--|-----------------------------------|-----------------|
| Cash and Cash Equivalents | \$ 19,809 | \$ 401,618 |
| Receivables, Net of Allowance for Uncollectible Amounts: | | |
| Departmental and Other | - | 23,409 |
| Total Assets | 19,809 | \$ 425,027 |
| LIABILITIES | | |
| Warrants Payable | - | 4,490 |
| Accrued Payroll | - | 5,014 |
| Liabilities Due Depositors | - | 415,523 |
| Total Liabilities | - | \$ 425,027 |
| NET POSITION | | |
| Held in Trust for Other Purposes | \$ 19,809 | |

See accompanying Notes to the Basic Financial Statements.

**TOWN OF NORFOLK, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 YEAR ENDED JUNE 30, 2016**

| | Private Purpose Trust Funds |
|-----------------------------------|-----------------------------------|
| ADDITIONS | |
| Net Investment Income: | |
| Interest | \$ 83 |
| Net Position - Beginning of Year | 19,726 |
| NET POSITION - END OF YEAR | \$ 19,809 |

See accompanying Notes to the Basic Financial Statements.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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 (the 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, 2016, the Town's assessment was \$8,914,590. 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 THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016, the Town's assessment was \$633,187. 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, 2016, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 72, *Fair Value Measurement and Application*
- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

The implementation of GASB Statement No. 72 required certain disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques related to the Town's investments.

Implementation of GASB Statement Nos. 73 and 76 had no reporting impact for the Town.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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 THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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.

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 *police/dispatch center fund* is a capital project fund used to account for financial resources to be used for the purchase of a building for a police/dispatch center.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Financial Statements (Continued)

The *vehicles fund* is a capital project fund used to account for financial resources to be used for the purchase of various vehicles.

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 funds 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.

The following nonmajor proprietary fund is reported:

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

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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; with exception of external investment pools and certificates of deposit which are carried at amortized cost.

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 2016 was estimated fair market value multiplied by \$18.08 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 THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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 THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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

An allowance for uncollectible accounts for motor vehicle and other excise taxes receivables is recorded at June 30, 2016. The allowances for uncollectible accounts for personal property taxes receivables and departmental and other receivables 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 THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

Government-Wide and Proprietary Funds 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 THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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.

Deferred outflows of resources related to pensions are reported in the government-wide and proprietary funds financial statements statement of net position.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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.

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.

Deferred inflows of resources related to pensions are reported in the government-wide and proprietary funds financial statements statement of net position.

P. Net Position and Fund Balances

Government-Wide Financial Statements and Proprietary Funds 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.

"Elementary school construction" represents amounts restricted for the construction of a new Elementary School.

"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 THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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 (e.g., prepaid amounts) or because they are legally or contractually required to be maintained intact (e.g., 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 Funds 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 THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Long-Term Debt (Continued)

Governmental Funds Financial Statements (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 Funds 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.

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

T. Pensions

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

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. 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 Funds 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 No. 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.

V. 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.

W. 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.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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.

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

The original fiscal year 2016 approved budget for the general fund authorized \$36,839,038 in appropriations and other amounts to be raised. During fiscal year 2016, total appropriations were increased by \$476,274. The original fiscal year 2016 approved budget for the community preservation fund authorized \$731,338 in appropriations and other amounts to be raised. Total appropriations were not increased during fiscal year 2016.

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, 2016, the following temporary fund deficits exist:

| Fund | Amount | Funding Source |
|------------------------|--------------|-----------------------------|
| Police/Dispatch Center | \$ 1,263,985 | Issuance of short-term debt |
| Vehicles | 637,869 | Issuance of short-term debt |
| Road Repairs | 142,921 | Issuance of short-term debt |
| HOD School Sprinklers | 44,744 | Issuance of short-term debt |
| HOD Oil Tank | 9,950 | Issuance of short-term debt |

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2016, 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.

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 Federal Depositors Insurance Corporation and Deposit Insurance Fund insurance coverage. As of June 30, 2016, \$5,429,257 of the Town's bank balance of \$11,233,530 was uninsured and uncollateralized and, therefore, exposed to custodial credit risk.

Investments Summary

The Town's investments at June 30, 2016 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 |
| <u>Debt Securities:</u> | | | | |
| U.S. Treasuries | \$ 503,713 | \$ 177,922 | \$ 164,062 | \$ 161,731 |
| U.S. Agencies | 33,195 | - | 27,056 | 6,139 |
| Corporate Bonds | 66,450 | - | 66,450 | - |
| Money Market Mutual Funds | 83,927 | 83,927 | - | - |
| External Investment Pools | 2,062,012 | 2,062,012 | - | - |
| Total Debt Securities | <u>\$ 2,749,297</u> | <u>\$ 2,323,861</u> | <u>\$ 257,568</u> | <u>\$ 167,870</u> |
| <u>Other Investments:</u> | | | | |
| Equity Securities | 329,946 | | | |
| Total Investments | <u>\$ 3,079,243</u> | | | |

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2016, 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, 2016, investments in the amount of \$503,713 were rated AAA, \$27,749 were rated AA, and \$33,195 were rated BAA by Standards & Poors and the remainder of the Town's debt securities were unrated by national credit rating organizations.

Investments - Concentration of Credit Risk

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town does not have a policy for concentration of credit risk of investments. As of June 30, 2016, the Town was not exposed to concentration of credit risk.

Investments - Fair Value Measurements

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

| Investments by Fair Value Level | Fair Value | Fair Value Measurements Using | | |
|--|-------------------|--|---|---|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Debt Securities: | | | | |
| U.S. Treasuries | \$ 503,713 | \$ 503,713 | \$ - | \$ - |
| U.S. Agencies | 33,195 | 33,195 | - | - |
| Corporate bonds | 66,450 | 66,450 | - | - |
| Total Debt Securities | <u>603,358</u> | <u>603,358</u> | <u>-</u> | <u>-</u> |
| Equity securities | 329,946 | 329,946 | - | - |
| Total Investments measured at Fair Value | <u>\$ 933,304</u> | <u>\$ 933,304</u> | <u>\$ -</u> | <u>\$ -</u> |

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 ACCOUNTS RECEIVABLE

At June 30, 2016, 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:

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|---|---------------------|------------------------------------|---------------------|
| <u>Receivables:</u> | | | |
| Real Estate and Personal Property Taxes | \$ 435,080 | \$ - | \$ 435,080 |
| Real Estate Tax Deferrals | 3,179 | - | 3,179 |
| Tax Liens | 641,629 | - | 641,629 |
| Motor Vehicle and Other Excise Taxes | 142,296 | (33,617) | 108,679 |
| Community Preservation Surcharges | 2,690 | - | 2,690 |
| Special Assessments | 27,741 | - | 27,741 |
| Departmental and Other | 23,409 | - | 23,409 |
| Intergovernmental | 591,429 | - | 591,429 |
| | <u>\$ 1,867,453</u> | <u>\$ (33,617)</u> | <u>\$ 1,833,836</u> |

At June 30, 2016, receivables for the water enterprise fund consist of the following:

| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|---------------------|-------------------|------------------------------------|-------------------|
| <u>Receivables:</u> | | | |
| Utility Liens | \$ 23,155 | \$ - | \$ 23,155 |
| User Charges | 427,923 | - | 427,923 |
| Special Assessments | 154,731 | - | 154,731 |
| | <u>\$ 605,809</u> | <u>\$ -</u> | <u>\$ 605,809</u> |

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, 2016, 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. A \$477,457 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, 2016.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

| | Balance at 6/30/15 | Increases | Decreases | Balance at 6/30/16 |
|---|-----------------------|----------------------|------------------------|-----------------------|
| Governmental Activities: | | | | |
| <u>Capital Assets Not Being Depreciated:</u> | | | | |
| Land | \$ 10,301,315 | \$ 344,100 | \$ - | \$ 10,645,415 |
| Construction in Progress | 33,287,701 | 309,615 | (31,825,569) | 1,771,747 |
| Total Capital Assets Not Being Depreciated | <u>43,589,016</u> | <u>653,715</u> | <u>(31,825,569)</u> | <u>12,417,162</u> |
| <u>Capital Assets Being Depreciated:</u> | | | | |
| Land Improvements | 2,456,733 | - | - | 2,456,733 |
| Buildings and Improvements | 22,250,640 | 32,037,947 | - | 54,288,587 |
| Machinery and Equipment | 9,738,048 | 158,595 | - | 9,896,643 |
| Vehicles | 2,951,775 | 495,621 | (55,000) | 3,392,396 |
| Infrastructure | 29,048,123 | 372,502 | - | 29,420,625 |
| Total Capital Assets Being Depreciated | <u>66,445,319</u> | <u>33,064,665</u> | <u>(55,000)</u> | <u>99,454,984</u> |
| <u>Less Accumulated Depreciation For:</u> | | | | |
| Land Improvements | (749,302) | (100,577) | - | (849,879) |
| Buildings and Improvements | (12,113,705) | (3,140,108) | - | (15,253,813) |
| Machinery and Equipment | (7,861,893) | (459,234) | - | (8,321,127) |
| Vehicles | (1,984,267) | (252,355) | 55,000 | (2,181,622) |
| Infrastructure | (22,190,208) | (446,546) | - | (22,636,754) |
| Total Accumulated Depreciation | <u>(44,899,375)</u> | <u>(4,398,820)</u> | <u>55,000</u> | <u>(49,243,195)</u> |
| Total Capital Assets Being Depreciated, Net | <u>21,545,944</u> | <u>28,665,845</u> | <u>-</u> | <u>50,211,789</u> |
| Total Governmental Activities Capital Assets, Net | <u>\$ 65,134,960</u> | <u>\$ 29,319,560</u> | <u>\$ (31,825,569)</u> | <u>\$ 62,628,951</u> |

| | Balance at 6/30/15 | Increases | Decreases | Balance at 6/30/16 |
|--|-----------------------|---------------------|-------------|-----------------------|
| Business-Type Activities: | | | | |
| <u>Capital Assets Not Being Depreciated:</u> | | | | |
| Land | \$ 1,142,571 | \$ - | \$ - | \$ 1,142,571 |
| Construction in Progress | - | 102,398 | - | 102,398 |
| Total Capital Assets Not Being Depreciated | <u>1,142,571</u> | <u>102,398</u> | <u>-</u> | <u>1,244,969</u> |
| <u>Capital assets being depreciated:</u> | | | | |
| Buildings and Improvements | 587,365 | - | - | 587,365 |
| Machinery and equipment | 1,980,809 | 10,350 | - | 1,991,159 |
| Vehicles | 110,604 | - | - | 110,604 |
| Infrastructure | 21,161,871 | - | - | 21,161,871 |
| Total Capital Assets Being Depreciated | <u>23,840,649</u> | <u>10,350</u> | <u>-</u> | <u>23,850,999</u> |
| <u>Less accumulated depreciation for:</u> | | | | |
| Buildings and Improvements | (201,605) | (12,359) | - | (213,964) |
| Machinery and Equipment | (1,251,774) | (86,411) | - | (1,338,185) |
| Vehicles | (87,735) | (6,534) | - | (94,269) |
| Infrastructure | (6,420,066) | (337,615) | - | (6,757,681) |
| Total Accumulated Depreciation | <u>(7,961,180)</u> | <u>(442,919)</u> | <u>-</u> | <u>(8,404,099)</u> |
| Total Capital Assets Being Depreciated, Net | <u>15,879,469</u> | <u>(432,569)</u> | <u>-</u> | <u>15,446,900</u> |
| Total Business-Type Activities Capital Assets, Net | <u>\$ 17,022,040</u> | <u>\$ (330,171)</u> | <u>\$ -</u> | <u>\$ 16,691,869</u> |

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:

| | |
|--|---------------------|
| General Government | \$ 110,322 |
| Public Safety | 242,636 |
| Education | 3,024,771 |
| Public Works | 633,076 |
| Health and Human Services | 81,447 |
| Culture and Recreation | 306,568 |
| Total Depreciation Expense - Governmental Activities | <u>\$ 4,398,820</u> |

Business-Type Activities:

| | |
|---|-------------------|
| Water | \$ 400,895 |
| Wastewater | 42,024 |
| Total Depreciation Expense - Business-Type Activities | <u>\$ 442,919</u> |

NOTE 6 INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2016 are summarized as follows:

| Transfers Out: | Transfers In: | | | Total |
|-----------------------------|-------------------|-------------------|-----------------------------|-------------------|
| | General Fund | Vehicles Fund | Nonmajor Governmental Funds | |
| General Fund | \$ - | \$ 113,400 | \$ - | \$ 113,400 (1) |
| Community Preservation Fund | - | - | 400,000 | 400,000 (2) |
| Nonmajor Governmental Funds | 471,150 | - | - | 471,150 (3) |
| | <u>\$ 471,150</u> | <u>\$ 113,400</u> | <u>\$ 400,000</u> | <u>\$ 984,550</u> |

- (1) Represents budgeted transfers for the payment of short-term debt.
- (2) Represents budgeted transfers from the community preservation act fund to the affordable housing trust fund for affordable housing projects.
- (3) Represents funding of the fiscal year 2016 operating budget from the ambulance receipts reserved fund (\$430,000), cemetery revolving fund (\$10,000), snow and ice revolving fund (\$16,150), and cemetery perpetual care fund (\$15,000).

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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.

Details related to the short-term debt activity for the fiscal year ended June 30, 2016 are as follows:

Governmental Funds

| Type | Description | Origination Date | Maturity Date | Interest Rate % | Balance at 6/30/2015 | Increases | Decreases | Balance at 6/30/2016 |
|-------|-------------------------|------------------|---------------|-----------------|----------------------|---------------------|-----------------------|----------------------|
| BAN | Vehicles | 2/27/15 | 2/26/16 | 0.55 | \$ 371,921 | \$ - | \$ (371,921) | \$ - |
| BAN | BAN - MPL | 7/31/14 | 7/31/15 | 0.55 | 750,923 | - | (750,923) | - |
| BAN | BAN - Land Acquisition | 9/24/14 | 9/24/15 | 0.40 | 1,800,000 | - | (1,800,000) | - |
| BAN | BAN - MPL | 7/31/15 | 7/29/16 | 0.55 | - | 750,923 | - | 750,923 |
| BAN | BAN - Land Acquisition | 9/24/15 | 9/23/16 | 0.60 | - | 1,800,000 | - | 1,800,000 |
| BAN | Vehicles | 2/26/16 | 2/24/17 | 0.75 | - | 258,521 | - | 258,521 |
| BAN | BAN - Underground Tanks | 6/30/16 | 6/30/17 | 0.85 | - | 300,000 | - | 300,000 |
| Total | | | | | <u>\$ 2,922,844</u> | <u>\$ 3,109,444</u> | <u>\$ (2,922,844)</u> | <u>\$ 3,109,444</u> |

Enterprise Funds

| Type | Description | Date | Date | Rate % | 6/30/2015 | Increases | Decreases | 6/30/2016 |
|-------|-------------|---------|---------|--------|------------------|------------------|--------------------|------------------|
| BAN | Vehicles | 2/27/15 | 2/26/16 | 0.55 | \$ 41,535 | \$ - | \$ (41,535) | \$ - |
| BAN | Vehicles | 2/26/16 | 2/24/17 | 0.75 | - | 27,690 | - | 27,690 |
| Total | | | | | <u>\$ 41,535</u> | <u>\$ 27,690</u> | <u>\$ (41,535)</u> | <u>\$ 27,690</u> |

Subsequent Events

On July 29, 2016, the Town renewed the BAN - MPL in the amount of \$614,089 with an interest rate of 0.85% and a maturity date of July 28, 2017.

On September 23, 2016, the Town renewed the land acquisition BAN in the amount of \$1,737,931 with an interest rate of 0.90% and a maturity date of September 22, 2017.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016:

| | Balance June 30, 2015 | Increases | Decreases | Balance June 30, 2016 | Due in One Year |
|----------------------------------|-----------------------------|---------------------|-----------------------|-----------------------------|---------------------|
| Governmental Activities: | | | | | |
| Bonds and Notes Payable | \$ 18,469,244 | \$ - | \$ (1,454,595) | \$ 17,014,649 | \$ 1,406,829 |
| Net Pension Liability | 15,703,832 | 765,811 | - | 16,469,643 | - |
| Net OPEB Obligation | 9,277,935 | 1,651,776 | (479,091) | 10,450,620 | - |
| Landfill Closure | 1,140,982 | - | (79,267) | 1,061,715 | 83,255 |
| Compensated Absences | 612,000 | 47,000 | - | 659,000 | 509,000 |
| Total | <u>\$ 45,203,993</u> | <u>\$ 2,464,587</u> | <u>\$ (2,012,953)</u> | <u>\$ 45,655,627</u> | <u>\$ 1,999,084</u> |
| Business-Type Activities: | | | | | |
| Bonds and Notes Payable | 3,331,000 | - | (356,000) | 2,975,000 | 363,000 |
| Net Pension Liability | 297,583 | 59,827 | - | 357,410 | - |
| Net OPEB Obligation | 125,065 | 24,472 | (7,098) | 142,439 | - |
| Total | <u>\$ 3,753,648</u> | <u>\$ 84,299</u> | <u>\$ (363,098)</u> | <u>\$ 3,474,849</u> | <u>\$ 363,000</u> |

The governmental activities long-term liabilities are generally liquidated by the general fund; whereas business-type activities long-term liabilities are generally liquidated by the Water enterprise fund.

NOTE 9 LONG-TERM DEBT

Details related to the outstanding indebtedness at June 30, 2016 and the debt service requirements are as follows:

Bonds and Notes Payable – Governmental Funds

| Project | Maturity Date | Interest Rate % | Outstanding at June 30, 2015 | Additions | Reductions | Outstanding at June 30, 2016 |
|--|------------------|--------------------|------------------------------------|-------------|-----------------------|------------------------------------|
| Building Construction - Library | 01/15/23 | 2.00 - 4.50 | \$ 1,053,000 | \$ - | \$ (133,000) | \$ 920,000 |
| Building Addition - Highway | 01/15/22 | 2.00 - 4.40 | 70,000 | - | (10,000) | 60,000 |
| Engineering Services - Library | 01/15/22 | 2.00 - 4.40 | 116,000 | - | (18,000) | 98,000 |
| Sewer | 01/15/23 | 2.00 - 4.50 | 72,000 | - | (9,000) | 63,000 |
| Underground Utilities | 01/15/22 | 3.00 - 4.20 | 315,000 | - | (45,000) | 270,000 |
| MCWT | 07/15/25 | 2.00 | 141,244 | - | (11,595) | 129,649 |
| Municipal Purpose Loan - Refunding | 11/15/17 | 3.98 | 184,000 | - | (69,000) | 115,000 |
| Municipal Purpose Loan | 08/15/29 | 2.00 - 3.00 | 818,000 | - | (154,000) | 664,000 |
| Building Construction - School | 03/15/31 | 2.00 - 5.00 | 12,000,000 | - | (750,000) | 11,250,000 |
| Departmental Equipment - Ambulance | 03/15/16 | 2.00 - 3.38 | 35,000 | - | (35,000) | - |
| School Project/Architectural Services Building | 04/01/32 | 2.25 - 3.13 | 3,665,000 | - | (220,000) | 3,445,000 |
| Total Governmental Funds | | | <u>\$ 18,469,244</u> | <u>\$ -</u> | <u>\$ (1,454,595)</u> | <u>\$ 17,014,649</u> |

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9 LONG-TERM DEBT (CONTINUED)

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

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|----------------------|---------------------|----------------------|
| 2017 | \$ 1,406,829 | \$ 644,053 | \$ 2,050,882 |
| 2018 | 1,401,068 | 603,472 | 2,004,540 |
| 2019 | 1,288,312 | 561,946 | 1,850,258 |
| 2020 | 1,213,561 | 523,286 | 1,736,847 |
| 2021 | 1,213,815 | 484,080 | 1,697,895 |
| 2022 | 1,214,074 | 440,997 | 1,655,071 |
| 2023 | 1,142,338 | 394,093 | 1,536,431 |
| 2024 | 1,004,607 | 350,283 | 1,354,890 |
| 2025 | 1,004,882 | 312,518 | 1,317,400 |
| 2026 | 1,005,163 | 274,658 | 1,279,821 |
| 2027 | 991,000 | 229,526 | 1,220,526 |
| 2028 | 991,000 | 184,510 | 1,175,510 |
| 2029 | 979,000 | 139,720 | 1,118,720 |
| 2030 | 979,000 | 95,182 | 1,074,182 |
| 2031 | 965,000 | 50,938 | 1,015,938 |
| 2032 | 215,000 | 6,714 | 221,714 |
| Total | <u>\$ 17,014,649</u> | <u>\$ 5,295,976</u> | <u>\$ 23,033,986</u> |

Bonds Payable – Water Enterprise Fund

| <u>Project</u> | <u>Maturity Date</u> | <u>Interest Rate %</u> | <u>Outstanding at June 30, 2015</u> | <u>Additions</u> | <u>Reductions</u> | <u>Outstanding at June 30, 2016</u> |
|---------------------------------|--------------------------|----------------------------|---|------------------|---------------------|---|
| Water Storage Tank Construction | 01/15/23 | 2.00 - 4.50 | \$ 789,000 | \$ - | \$ (99,000) | \$ 690,000 |
| Water Treatment Facility | 01/15/23 | 2.00 - 4.50 | 11,000 | - | (2,000) | 9,000 |
| Water Mains | 01/15/23 | 2.00 - 4.50 | 132,000 | - | (17,000) | 115,000 |
| Water Mains | 01/15/23 | 2.00 - 4.50 | 44,000 | - | (6,000) | 38,000 |
| Water Mains | 01/15/18 | 2.00 - 4.20 | 3,000 | - | (1,000) | 2,000 |
| Water Mains | 01/15/23 | 2.00 - 4.50 | 115,000 | - | (15,000) | 100,000 |
| MCWT | 08/01/22 | 3.00 - 5.00 | 260,000 | - | (30,000) | 230,000 |
| Water Mains | 01/15/22 | 3.00 - 4.20 | 350,000 | - | (50,000) | 300,000 |
| Water Mains | 08/15/29 | 2.00 - 3.00 | 1,357,000 | - | (116,000) | 1,241,000 |
| Well | 03/15/31 | 2.00 - 5.00 | 270,000 | - | (20,000) | 250,000 |
| Total Water Enterprise Fund | | | <u>\$ 3,331,000</u> | <u>\$ -</u> | <u>\$ (356,000)</u> | <u>\$ 2,975,000</u> |

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9 LONG-TERM DEBT (CONTINUED)

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

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------|-------------------|---------------------|
| 2017 | \$ 363,000 | \$ 118,960 | \$ 481,960 |
| 2018 | 368,000 | 105,362 | 473,362 |
| 2019 | 299,000 | 92,455 | 391,455 |
| 2020 | 314,000 | 80,034 | 394,034 |
| 2021 | 314,000 | 67,161 | 381,161 |
| 2022 | 309,000 | 53,741 | 362,741 |
| 2023 | 256,000 | 40,391 | 296,391 |
| 2024 | 94,000 | 29,982 | 123,982 |
| 2025 | 99,000 | 26,122 | 125,122 |
| 2026 | 104,000 | 22,062 | 126,062 |
| 2027 | 104,000 | 17,752 | 121,752 |
| 2028 | 109,000 | 13,248 | 122,248 |
| 2029 | 111,000 | 8,508 | 119,508 |
| 2030 | 116,000 | 3,621 | 119,621 |
| 2031 | 15,000 | 750 | 15,750 |
| Total | <u>\$ 2,975,000</u> | <u>\$ 680,149</u> | <u>\$ 3,655,149</u> |

The Town receives subsidy assistance from the Massachusetts Clean Water Trust (MCWT). Principal and interest on the outstanding bonds for MCWT is subsidized over the life of the bonds to assist the Town in the repayment of this future debt. During fiscal year 2016, the Town's subsidy totaled approximately \$20,000. Future subsidies total approximately \$113,000. The amount of MCWT bonds outstanding at June 30, 2016, totaled \$359,649.

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, 2016, the Town had the following authorized and unissued debt:

| <u>Purpose</u> | <u>Amount</u> |
|---------------------------------------|----------------------|
| Public Safety Building | \$ 12,200,000 |
| Solar Electricity Generating Facility | 500,000 |
| Underground Oil Tank | 300,000 |
| School Feasibility Study | 250,000 |
| Public Safety Design | 145,000 |
| Vehicles | 2,800 |
| Total | <u>\$ 13,397,800</u> |

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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 \$1,061,715 as the estimate of the landfill post-closure care liability at June 30, 2016. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

NOTE 11 OTHER POST EMPLOYMENT BENEFITS

Plan Description – The Town provides health, dental and life insurance coverage for its retirees and their survivors (hereinafter referred to as the Plan) as a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process. The Plan does not issue a 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, 2014, the latest actuarial valuation, is as follows:

| | |
|-------------------|-------------------|
| Active Employees | 254 |
| Retired Employees | <u>122</u> |
| Total | <u><u>376</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 ARC of the employer, an actuarially determined amount that is calculated in accordance with the parameters set forth in GASB Statement No. 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.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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

| | Amount |
|--|---------------|
| Annual Required Contribution | \$ 1,760,002 |
| Interest on Net OPEB Obligation | 374,492 |
| Adjustment to Annual Required Contribution | (520,600) |
| Amortization of Actuarial (Gains) / Losses | 62,354 |
| Annual OPEB Cost | 1,676,248 |
| Contributions Made | (486,189) |
| Increase in Net OPEB Obligation | 1,190,059 |
| Net OPEB Obligation at Beginning of Year | 9,403,000 |
| Net OPEB Obligation at End of Year | \$ 10,593,059 |

Trend information regarding annual OPEB cost, the percentage of the AOPEBC 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, 2014 | \$ 1,762,882 | 21.2% | \$ 8,249,898 |
| June 30, 2015 | 1,576,348 | 26.8% | 9,403,000 |
| June 30, 2016 | 1,676,248 | 29.0% | 10,593,059 |

Funded Status and Funding Progress – The funded status of the Plan at July 1, 2014, 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) |
|--------------------------------|--|--|------------------------------------|--------------------------|---------------------------|---|
| 07/01/14 | \$ - | \$ 15,344,017 | \$ 15,344,017 | - | \$16,397,972 | 93.6% |

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 11 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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

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

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

| | |
|-------------------------------------|--|
| Valuation date: | July 1, 2014 |
| Actuarial cost method: | Projected unit credit |
| Amortization method: | Level dollar |
| Remaining amortization period: | 24 years at July 1, 2014 (closed period) |
| Interest discount rate: | 4.0% |
| Healthcare/Medical cost trend rate: | Health and Dental – 5.0% per year |
| Projected salary increases: | 3.0% annually |

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

| | |
|--|---------------------|
| Governmental Activities: | |
| General Government | \$ 144,116 |
| Public Safety | 399,734 |
| Education | 938,672 |
| Public Works | 100,588 |
| Health and Human Services | 13,296 |
| Culture and Recreation | 55,370 |
| Total AOPEBC - Governmental activities | <u>1,651,776</u> |
| Business-Type Activities: | |
| Water | 24,472 |
| Total AOPEBC | <u>\$ 1,676,248</u> |

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 12 PENSION PLAN

General Information about the Pension Plan

Plan Description – Employees of the Town deemed eligible by the Norfolk County Retirement Board are provided with pensions through the NCRS - a cost-sharing multiple-employer defined benefit pension plan administered by the Norfolk County Retirement Board. Membership in the NCRS is mandatory immediately upon the commencement of employment for all permanent, full time employees (except for school department employees who serve in a teaching capacity). The NCRS issues a publicly available financial report that can be obtained by contacting the NCRS located at 480 Neponset Street #15, Canton, MA 02021.

Benefits Provided – Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The plan provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are three classes of membership in the plan; Group 1, Group 2, and Group 4. Group 1 consists of general employees which includes clerical and administrative positions. Group 2 consists of positions that have been specified as hazardous. Lastly, Group 4 consists of police officers, firefighters, and other hazardous positions.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service if hired after 1978 and if classified in groups 1 or 2. A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance upon reaching the age of 60 with 10 years of service if in group 1, 50 years of age with 10 years of service if in group 2, and 55 years of age if hired prior to 1978 or if classified in group 4. Normal retirement for most employees occurs at age 65 (except for certain hazardous duty and public safety positions, whose normal retirement is at age 55).

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

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent on several factors, including whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veterans' status and group classification.

Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 12 PENSION PLAN (CONTINUED)

Contributions - Chapter 32 of the MGL assigns authority to establish and amend contribution requirements of the plan. Employers are required to pay an actuarially determined annual appropriation. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the plan's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The pension fund appropriations are allocated amongst employers based on covered payroll. Active member employees contribute between 5 and 11% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. Contributions to the pension plan from the Town were \$1,642,218 for the year ended June 30, 2016.

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

At June 30, 2016, the Town reported a liability of \$16,827,053 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014 for which update procedures were used to roll forward the total pension liability to the measurement date. The Town proportion of the net pension liability is a blended rate of the proportionate share of active employer's covered payroll, direct charges for early retirement incentives and the direct amortization of the actuarial determined net pension liability for employer members that no longer have active covered payroll. At December 31, 2015, the Town's proportion was 3.097 percent; compared to a proportionate share of 3.085 percent at December 31, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$1,852,259. At June 30, 2016, the Town reported deferred outflows of resources related to pension of \$2,649,154 from the net difference between projected and actual investment earnings on pension plan investments and changes in proportion and differences between employer contributions and proportionate share of contributions. The Town also reported deferred inflows of resources related to pension of \$1,418,132 from assumption changes. These amounts will be recognized in pension expense in an annual amount of \$334,199 for the years ended June 30, 2017, 2018, and 2019, and \$228,421 for the year ended June 30, 2020.

Actuarial assumptions - The total pension liability was determined using the following actuarial assumptions:

Salary increases: 3.5% - 5.5%

Mortality Rates: The RP-2014 Blue Collar Mortality Table with Scale with MP-2014

Investment Rate of Return: 8.0%

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 12 PENSION PLAN (CONTINUED)

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2012 to January 1, 2014.

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|------------------------|----------------------|--|
| Domestic Equity | 32.00% | 9.40% |
| International Equities | 17.50% | 9.70% |
| Fixed Income | 19.00% | 3.40% |
| Real Estate | 9.00% | 7.70% |
| Private Equity | 8.50% | 13.60% |
| Hedge Funds | 9.00% | 7.90% |
| Real Assets | 5.00% | 7.90% |
| Totals | <u>100.00%</u> | |

Discount rate - The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate - The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8.00 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

| | 1% Decrease (7.00%) | Current Discount Rate (8.00%) | 1% Increase (9.00%) |
|--|------------------------|-------------------------------------|------------------------|
| Town's Proportionate Share of the Net Pension Liability | \$ 21,103,287 | \$ 16,827,053 | \$ 13,177,164 |

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued NCRS financial report.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 13 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM

Plan Description – Public school teachers and certain administrators are provided with pensions through the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Massachusetts Teachers' Retirement Board. The MTRS is part of the Commonwealth of Massachusetts' (Commonwealth) reporting entity and does not issue a stand-alone audited financial report. The MTRS is reported as a Pension Trust Fund in the Commonwealth's audited financial statements that can be obtained at <http://www.mass.gov/osc/publications-and-reports/financial-reports/cafr-reports.html>.

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

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

Contributions - The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Member contributions for MTRS vary depending on the most recent date of membership, ranging from 5-11% of regular compensation. Members hired in 1979 or subsequent contribute an additional 2% of regular compensation in excess of \$30,000.

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity in MTRS.

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

Since the Town does not contribute directly to MTRS, the Town does not report a proportionate share of the net pension liability of the MTRS at June 30, 2016. The Commonwealth's net pension liability associated with the Town was \$22,165,988.

The MTRS' net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015 rolled forward to June 30, 2015.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 13 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)

For the year ended June 30, 2016, the Town recognized pension expense of \$1,797,859 associated with MTRS and revenue of the same amount for support provided by the Commonwealth.

Actuarial assumptions - The total pension liability was determined using the following actuarial assumptions:

Investment rate of return 7.50%

Salary increases Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service

Mortality Rates: Pre-retirement – reflects RP-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct)

Post-retirement – reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 (gender distinct)

Disability – assumed to be in accordance with the RP- Healthy Annuitant Table projected generationally with Scale BB and a base year 2014 set forward 4 years.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2015 are summarized in the following table:

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 13 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---------------------------------|----------------------|---|
| Global Equity | 40% | 6.9% |
| Core Fixed Income | 13% | 2.4% |
| Hedge Funds | 9% | 5.8% |
| Private Equity | 10% | 8.5% |
| Real Estate | 10% | 6.5% |
| Value Added Fixed Income | 10% | 5.8% |
| Portfolio Completion Strategies | 4% | 5.5% |
| Timber/Natural Resources | 4% | 6.6% |
| Totals | <u>100%</u> | |

Discount rate - The discount rate used to measure the MTRS' total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension plan fiduciary net position - Detailed information about the MTRS' fiduciary net position is available in the Commonwealth's audited financial statements.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 14 FUND BALANCES

The fund balance constraints listed in aggregate in the governmental funds balance sheet are detailed as follows:

| | General | Community Preservation | Elementary School Construction | Police/ Dispatch Center | Vehicles | Nonmajor Governmental Funds | Total Governmental Funds |
|----------------------------------|---------------------|---------------------------|--------------------------------------|-------------------------------|---------------------|-----------------------------------|--------------------------------|
| Nonspendable: | | | | | | | |
| Permanent Fund Principal | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 53,363 | \$ 53,363 |
| Restricted: | | | | | | | |
| Debt Service | 152,634 | - | - | - | - | - | 152,634 |
| Community Preservation | - | 3,633,797 | - | - | - | - | 3,633,797 |
| School Construction | - | - | 503,476 | - | - | - | 503,476 |
| Kunde Conservation Trust | - | - | - | - | - | 321,408 | 321,408 |
| Kunde Library Conservation Trust | - | - | - | - | - | 181,500 | 181,500 |
| Affordable Housing | - | - | - | - | - | 128,482 | 128,482 |
| School Lunch | - | - | - | - | - | 22,153 | 22,153 |
| General Government | - | - | - | - | - | 266,695 | 266,695 |
| Public Safety | - | - | - | - | - | 221,929 | 221,929 |
| Education | - | - | - | - | - | 753,562 | 753,562 |
| Public Works | - | - | - | - | - | 305,798 | 305,798 |
| Health and Human Services | - | - | - | - | - | 5,018 | 5,018 |
| Culture and Recreation | - | - | - | - | - | 123,541 | 123,541 |
| Sub-Total - Restricted | <u>152,634</u> | <u>3,633,797</u> | <u>503,476</u> | <u>-</u> | <u>-</u> | <u>2,330,086</u> | <u>6,619,993</u> |
| Committed: | | | | | | | |
| Subsequent Year's Expenditures | 322,949 | - | - | - | - | - | 322,949 |
| Continuing Appropriations | 35,898 | - | - | - | - | - | 35,898 |
| Sub-Total - Committed | <u>358,847</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>358,847</u> |
| Assigned: | | | | | | | |
| Education | 320,396 | - | - | - | - | - | 320,396 |
| Unassigned | | | | | | | |
| | <u>3,239,702</u> | <u>-</u> | <u>-</u> | <u>(1,263,985)</u> | <u>(637,869)</u> | <u>(197,615)</u> | <u>1,140,233</u> |
| Total Fund Balances | <u>\$ 4,071,579</u> | <u>\$ 3,633,797</u> | <u>\$ 503,476</u> | <u>\$ (1,263,985)</u> | <u>\$ (637,869)</u> | <u>\$ 2,185,834</u> | <u>\$ 8,492,832</u> |

NOTE 15 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, 2016 totals \$1,155,423 and is reported as unassigned fund balance in the general fund.

NOTE 16 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.

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 17 COMMITMENTS

The Town has entered into, or is planning to enter into, contracts totaling approximately \$13,400,000 for various governmental capital projects.

Other significant commitments include the encumbrances and continuing appropriations for outstanding for the general fund and community preservation fund; which totaled \$356,294 and \$277,486, respectively, at June 30, 2016.

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, 2016, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2016.

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
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016**

| | Prior Year Encumbrances and Continuing Appropriations | Original Budget | Supplemental Appropriations and Transfers | Final Budget |
|--|--|---------------------|---|-------------------|
| REVENUES | | | | |
| Real Estate and Personal Property Taxes | \$ - | \$ 28,625,030 | \$ - | \$ 28,625,030 |
| Motor Vehicle and Other Excise Taxes | - | 1,660,000 | - | 1,660,000 |
| Tax Liens | - | - | - | - |
| Payments in Lieu of Taxes | - | 75,000 | - | 75,000 |
| Trash Disposal | - | 338,000 | - | 338,000 |
| Intergovernmental | - | 4,459,742 | - | 4,459,742 |
| Penalties and Interest on Taxes | - | 140,000 | - | 140,000 |
| Licenses and Permits | - | 310,000 | - | 310,000 |
| Fines and Forfeitures | - | 25,000 | - | 25,000 |
| Departmental and Other | - | 173,000 | - | 173,000 |
| Investment Income | - | 6,500 | - | 6,500 |
| Total Revenues | - | 35,812,272 | - | 35,812,272 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | 151,468 | 2,437,762 | (22,700) | 2,415,062 |
| Public Safety | 156,535 | 4,874,587 | 56,600 | 4,931,187 |
| Education | 162,941 | 20,212,264 | 3,748 | 20,216,012 |
| Public Works | 116,054 | 1,787,230 | 329,626 | 2,116,856 |
| Health and Human Services | - | 227,922 | 2,000 | 229,922 |
| Culture and Recreation | - | 732,935 | (18,000) | 714,935 |
| Pension Benefits | - | 1,645,469 | - | 1,645,469 |
| Employee Benefits | - | 2,319,235 | 130,000 | 2,449,235 |
| Property and Liability Insurance | - | 325,000 | - | 325,000 |
| State and County Charges | - | - | - | 459,978 |
| Debt Service: | | | | |
| Principal | - | 1,459,641 | (5,000) | 1,454,641 |
| Interest | - | 703,593 | - | 703,593 |
| Total Expenditures | 586,998 | 36,725,638 | 476,274 | 37,661,890 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | | | | |
| | (586,998) | (913,366) | (476,274) | (1,849,618) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | - | 455,000 | 16,150 | 471,150 |
| Transfers Out | - | (113,400) | - | (113,400) |
| Total Other Financing Sources (Uses) | - | 341,600 | 16,150 | 357,750 |
| NET CHANGE IN FUND BALANCE | | | | |
| | (586,998) | (571,766) | (460,124) | (1,491,868) |
| Fund Balance - Beginning of Year | 2,178,962 | 2,178,962 | 2,178,962 | 2,178,962 |
| FUND BALANCE - END OF YEAR | \$ 1,591,964 | \$ 1,607,196 | \$ 1,718,838 | \$ 687,094 |

See accompanying Notes to Required Supplementary Information.

| Actual | Current Year Encumbrances and Continuing Appropriations | Actual and Encumbrances and Continuing Appropriations | Variance Positive/ (Negative) |
|---------------------|--|--|-------------------------------------|
| \$ 28,389,651 | \$ - | \$ 28,389,651 | \$ (235,379) |
| 1,845,291 | - | 1,845,291 | 185,291 |
| 295,834 | - | 295,834 | 295,834 |
| 67,174 | - | 67,174 | (7,826) |
| 312,468 | - | 312,468 | (25,532) |
| 4,975,270 | - | 4,975,270 | 515,528 |
| 128,349 | - | 128,349 | (11,651) |
| 465,802 | - | 465,802 | 155,802 |
| 17,963 | - | 17,963 | (7,037) |
| 292,388 | - | 292,388 | 119,388 |
| 11,236 | - | 11,236 | 4,736 |
| <u>36,801,426</u> | <u>-</u> | <u>36,801,426</u> | <u>989,154</u> |
| 2,134,235 | 12,021 | 2,146,256 | 268,806 |
| 4,735,407 | 21,000 | 4,756,407 | 174,780 |
| 19,726,015 | 320,396 | 20,046,411 | 169,601 |
| 1,948,488 | 2,877 | 1,951,365 | 165,491 |
| 220,381 | - | 220,381 | 9,541 |
| 683,750 | - | 683,750 | 31,185 |
| 1,607,337 | - | 1,607,337 | 38,132 |
| 2,436,520 | - | 2,436,520 | 12,715 |
| 308,166 | - | 308,166 | 16,834 |
| 487,015 | - | 487,015 | (27,037) |
| 1,454,641 | - | 1,454,641 | - |
| 700,797 | - | 700,797 | 2,796 |
| <u>36,442,752</u> | <u>356,294</u> | <u>36,799,046</u> | <u>862,844</u> |
| <u>358,674</u> | <u>(356,294)</u> | <u>2,380</u> | <u>1,851,998</u> |
| 471,150 | - | 471,150 | - |
| (113,400) | - | (113,400) | - |
| <u>357,750</u> | <u>-</u> | <u>357,750</u> | <u>-</u> |
| 716,424 | (356,294) | 360,130 | 1,851,998 |
| <u>2,178,962</u> | <u>-</u> | <u>2,178,962</u> | <u>-</u> |
| <u>\$ 2,895,386</u> | <u>\$ (356,294)</u> | <u>\$ 2,539,092</u> | <u>\$ 1,851,998</u> |

**TOWN OF NORFOLK, MASSACHUSETTS
COMMUNITY PRESERVATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016**

| | Prior Year Encumbrances and Continuing Appropriations | Original Budget | Supplemental Appropriations and Transfers | Final Budget |
|--|--|---------------------|---|---------------------|
| REVENUES | | | | |
| Community Preservation Surcharges | \$ - | \$ 209,000 | \$ - | \$ 209,000 |
| Tax Liens | - | - | - | - |
| Penalties and Interest on Taxes | - | - | - | - |
| Intergovernmental | - | 59,776 | - | 59,776 |
| Investment Income | - | - | - | - |
| Total Revenues | <u>-</u> | <u>268,776</u> | <u>-</u> | <u>268,776</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Administrative | - | 35,000 | - | 35,000 |
| Acquisitions and Projects | 296,788 | - | - | 296,788 |
| Total Expenditures | <u>296,788</u> | <u>35,000</u> | <u>-</u> | <u>331,788</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(296,788)</u> | <u>233,776</u> | <u>-</u> | <u>(63,012)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers Out | <u>-</u> | <u>(400,000)</u> | <u>-</u> | <u>(400,000)</u> |
| NET CHANGE IN FUND BALANCE | (296,788) | (166,224) | - | (463,012) |
| Fund Balance - Beginning of Year | <u>3,782,771</u> | <u>3,782,771</u> | <u>3,782,771</u> | <u>3,782,771</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 3,485,983</u> | <u>\$ 3,616,547</u> | <u>\$ 3,782,771</u> | <u>\$ 3,319,759</u> |

See accompanying Notes to Required Supplementary Information.

| <u>Actual</u> | <u>Current Year Encumbrances and Continuing Appropriations</u> | <u>Actual and Encumbrances and Continuing Appropriations</u> | <u>Variance Positive/ (Negative)</u> |
|---------------------|--|--|--|
| \$ 213,960 | \$ - | \$ 213,960 | \$ 4,960 |
| 3,044 | - | 3,044 | 3,044 |
| 1,383 | - | 1,383 | 1,383 |
| 59,776 | - | 59,776 | - |
| 1,767 | - | 1,767 | 1,767 |
| <u>279,930</u> | <u>-</u> | <u>279,930</u> | <u>11,154</u> |
| 9,602 | - | 9,602 | 25,398 |
| 19,302 | 277,486 | 296,788 | - |
| <u>28,904</u> | <u>277,486</u> | <u>306,390</u> | <u>25,398</u> |
| <u>251,026</u> | <u>(277,486)</u> | <u>(26,460)</u> | <u>36,552</u> |
| <u>(400,000)</u> | <u>-</u> | <u>(400,000)</u> | <u>-</u> |
| (148,974) | (277,486) | (426,460) | 36,552 |
| <u>3,782,771</u> | <u>-</u> | <u>3,782,771</u> | <u>-</u> |
| <u>\$ 3,633,797</u> | <u>\$ (277,486)</u> | <u>\$ 3,356,311</u> | <u>\$ 36,552</u> |

**TOWN OF NORFOLK, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS**

**SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
NORFOLK COUNTY RETIREMENT SYSTEM (1) (2)**

| | <u>2016</u> | <u>2015</u> |
|---|-------------|-------------|
| Town's proportion of the net pension liability | 3.097% | 3.085% |
| Town's proportionate share of the net pension liability | 16,827,053 | 16,001,415 |
| Town's covered-employee payroll | 8,076,283 | 7,595,309 |
| Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 208.35% | 210.67% |
| Plan fiduciary net position as a percentage of the total pension liability | 58.60% | 60.10% |

- (1) Amounts presented were determined as of December 31 within the applicable fiscal year.
(2) Data is being accumulated annually to present 10 years of the reported information.

**SCHEDULE OF TOWN CONTRIBUTIONS
NORFOLK COUNTY RETIREMENT SYSTEM (1)**

| | <u>2016</u> | <u>2015</u> |
|--|--------------------|--------------------|
| Actuarially Required Contribution | \$ 1,642,218 | \$ 1,447,468 |
| Contributions in Relation to the Actuarially Required Contribution | <u>(1,642,218)</u> | <u>(1,447,468)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> |
| Town's Covered-Employee Payroll | \$ 8,076,283 | \$ 7,595,309 |
| Contributions as a Percentage of Covered Employee Payroll | 20.33% | 19.06% |

- (1) Data is being accumulated annually to present 10 years of the reported information.

**TOWN OF NORFOLK, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS**

**SCHEDULE OF SPECIAL FUNDING AMOUNTS OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM (1) (2)**

| | 2016 | 2015 |
|---|---------------|---------------|
| Commonwealth's 100% Share of the Net Pension Liability associated with the Town | \$ 22,165,988 | \$ 16,481,016 |
| Town's Expense and Revenue Recognized for the Commonwealth's Support | \$ 1,797,859 | \$ 1,145,015 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 55.38% | 61.64% |

- (1) Amounts presented were determined as of June 30 of the previous fiscal year.
- (2) Data is being accumulated annually to present 10 years of the reported information.

**TOWN OF NORFOLK, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016**

The following schedules provide information related to the Town's other post employment benefits plan:

**OTHER POST EMPLOYMENT BENEFITS SCHEDULES
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) |
|--------------------------------|--|--|------------------------------------|--------------------------|---------------------------|---|
| 07/01/14 | \$ - | \$ 15,344,017 | \$ 15,344,017 | - | \$16,397,972 | 93.6% |
| 07/01/12 | - | 15,374,719 | 15,374,719 | - | 15,109,154 | 101.8% |
| 07/01/10 | - | 15,796,556 | 15,796,556 | - | 14,591,760 | 108.3% |

**TOWN OF NORFOLK, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

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, 2016, is presented below:

General Fund

| | Revenues | Expenditures | Other Financing Sources (Uses) | Fund Balance |
|---|---------------|---------------|--------------------------------------|-----------------|
| Budgetary Basis as Reported on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual | \$ 36,801,426 | \$ 36,799,046 | \$ 357,750 | \$ 2,539,092 |
| <u>Reclassifications</u> | | | | |
| Activity of Stabilization Fund Recorded in the General Fund for GAAP Purposes | 32,658 | - | - | 1,155,423 |
| <u>Adjustments</u> | | | | |
| Net Change in Recording 60-day Receipts | 99,693 | - | - | 150,086 |
| Net Change in Recording Tax Refunds Payable | (35,659) | - | - | (129,316) |
| To Record Activity for MTRS On-Behalf Payments | 1,797,859 | 1,797,859 | - | - |
| To Record Encumbrances and Continuing Appropriations | - | (356,294) | - | 356,294 |
| GAAP Basis as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances | \$ 38,695,977 | \$ 38,240,611 | \$ 357,750 | \$ 4,071,579 |

Community Preservation Fund

| | Expenditures | Fund Balance |
|---|--------------|-----------------|
| Budgetary Basis as Reported on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual | \$ 306,390 | \$ 3,356,311 |
| <u>Adjustments</u> | | |
| To Record Encumbrances and Continuing Appropriations | (277,486) | 277,486 |
| GAAP Basis as Reported on the Statement of Revenues Expenditures and Changes in Fund Balances | \$ 28,904 | \$ 3,633,797 |