

TOWN OF CARVER, MASSACHUSETTS

***REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS***

YEAR ENDED JUNE 30, 2014

TOWN OF CARVER, MASSACHUSETTS
REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2014

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100 Quannapowitt Parkway

Suite 101

Wakefield, MA 01880

T. 781-914-1700

F. 781-914-1701

www.powersandsullivan.com

Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Carver, 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 Carver, Massachusetts, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Carver, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Carver, Massachusetts, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, 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 6, 2015 on our consideration of the Town of Carver, Massachusetts' 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 of Carver, Massachusetts' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Powers & Sullivan, LLC". The signature is written in a cursive, flowing style.

February 6, 2015

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Carver (Town), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2014. We encourage readers to consider the information presented in this report.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. These basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

The *statement of net position* presents information on all assets, liabilities, and deferred inflows/outflows, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent 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 periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, education, public works, community preservation, human services, culture and recreation, and interest. The business-type activities include the activities of the North Carver Water District and the Cranberry Village Water enterprise funds.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the 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 activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The Town maintains only one type of proprietary fund.

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 the North Carver Water District and the Cranberry Village Water activities.

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 statement because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for propriety funds.

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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town's budgetary basis of accounting.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Carver, assets exceeded liabilities by \$18.1 million at the close of 2014. Key components of the Town's governmental financial position are listed below.

Net position of \$26.1 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets 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 its 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 net position, \$5.8 million represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of unrestricted net position totals \$13.8 million.

The governmental and business-type activities of the Town are presented below.

Governmental Activities

The Town of Carver's assets exceeded liabilities for governmental activities by \$15.6 million at the close of 2014.

The following table provides a summary of the financial highlights of the Town's governmental activities for 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Assets:		
Current assets.....	\$ 12,510,751	\$ 12,164,572
Noncurrent assets (excluding capital).....	372,327	372,327
Capital assets.....	<u>26,986,386</u>	<u>27,383,770</u>
Total assets.....	39,869,464	39,920,669
Liabilities:		
Current liabilities (excluding debt).....	1,130,333	2,253,448
Noncurrent liabilities (excluding debt).....	20,548,685	17,638,643
Current debt.....	917,592	1,131,252
Noncurrent debt.....	<u>1,616,695</u>	<u>1,888,797</u>
Total liabilities.....	24,213,305	22,912,140
Net Position:		
Net investment in capital assets.....	25,738,924	25,476,697
Restricted.....	5,792,928	4,896,213
Unrestricted.....	<u>(15,875,693)</u>	<u>(13,364,381)</u>
Total net position.....	\$ 15,656,159	\$ 17,008,529
Program Revenues:		
Charges for services.....	\$ 2,199,887	\$ 2,237,012
Operating grants and contributions.....	15,101,241	15,161,787
Capital grants and contributions.....	<u>822,123</u>	<u>376,133</u>
Total program revenues.....	18,123,251	17,774,932
General Revenues:		
Real estate and personal property taxes.....	20,105,475	19,320,152
Tax liens.....	45,693	134,108
Motor vehicle and other excise taxes.....	1,465,264	1,404,828
Penalties and interest on taxes.....	218,077	195,695
Payments in lieu of taxes.....	44,579	120,808
Grants and contributions not restricted to specific programs.....	1,483,669	1,338,970
Unrestricted investment income.....	38,643	32,595
Miscellaneous.....	<u>154,104</u>	<u>315,088</u>
Total general revenues.....	23,555,504	22,862,244
Expenses:		
General government.....	2,822,589	3,033,682
Public safety.....	4,496,758	4,420,229
Education.....	32,488,493	31,841,725
Public works.....	1,426,868	1,922,196
Community Preservation.....	67,737	98,608
Human services.....	899,706	733,328
Culture and recreation.....	609,970	629,321
Claims and judgments.....	-	-
Interest.....	<u>85,361</u>	<u>195,916</u>
Total expenses.....	42,897,482	42,875,005
Transfers, net.....	(133,643)	(13,925)
Change in net position.....	(1,352,370)	(2,251,754)
Net position - beginning.....	17,008,529	19,260,283
Net position - ending.....	\$ 15,656,159	\$ 17,008,529

The governmental activities net position decreased by \$1.4 million during the current year. This decrease was primarily the result of \$3.4 million increase in the OPEB liability offset by positive budgetary results.

Business-type Activities

For the Town's business-type activities, assets exceeded liabilities by \$2.5 million at the close of 2014. There was a decrease of \$72,000 in net position reported in connection with the business-type activities. The following table provides a summary of the financial highlights of the enterprise funds for 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Assets:		
Current assets.....	\$ 778,667	\$ 525,481
Noncurrent assets (excluding capital).....	1,421,585	1,728,195
Capital assets.....	<u>5,301,045</u>	<u>5,438,114</u>
Total assets.....	<u>7,501,297</u>	<u>7,691,790</u>
Liabilities:		
Current liabilities (excluding debt).....	99,168	120,341
Current debt.....	76,776	74,832
Noncurrent debt.....	<u>4,850,315</u>	<u>4,949,091</u>
Total liabilities.....	<u>5,026,259</u>	<u>5,144,264</u>
Net Position:		
Net investment in capital assets.....	385,073	435,858
Unrestricted.....	<u>2,089,965</u>	<u>2,111,668</u>
Total net position.....	<u>\$ 2,475,038</u>	<u>\$ 2,547,526</u>
Program revenues:		
Charges for services.....	\$ 310,087	\$ 168,868
Operating grants and contributions.....	<u>94,064</u>	<u>-</u>
Total program revenues.....	<u>404,151</u>	<u>168,868</u>
General Revenues:		
Unrestricted investment income.....	1,104	962
Expenses:		
North Carver Water District.....	560,077	588,732
Cranberry Village.....	<u>51,309</u>	<u>45,303</u>
Total expenses.....	<u>611,386</u>	<u>634,035</u>
Transfers, net.....	<u>133,643</u>	<u>13,925</u>
Change in net position.....	(72,488)	(450,280)
Net position - beginning.....	<u>2,547,526</u>	<u>2,997,806</u>
Net position - ending.....	<u>\$ 2,475,038</u>	<u>\$ 2,547,526</u>

Financial Analysis of the Governmental Funds

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

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

At the end of the current year, governmental funds reported combined ending fund balances of \$9.2 million, an increase of \$1.4 million from the prior year. This is attributable to increases in the general fund, community preservation fund, receipts reserved for appropriation fund, and nonmajor funds of \$503,000, \$525,000, \$140,000 and \$278,000, respectively.

The general fund is the chief operating fund of the Town. At the end of the current year, unassigned fund balance of the general fund was \$3.4 million, while total fund balance equaled \$4.2 million. Included in unassigned fund balance is the Town's stabilization fund which, at year end, totaled \$1,017,446. Included in committed fund balance is the Town's capital building stabilization fund which, at year end, totaled \$583,163. 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 fund expenditures. Unassigned fund balance represents 9.0% of total general fund expenditures, while total fund balance represents 11.3% of that same amount.

The increase in the general fund was due to better than anticipated revenue collections and the turn back of unexpended appropriations.

The Community Preservation Fund is used to account for funds held for uses restricted by law for community preservation purposes. At June 30, 2014 the fund balance was \$2.0 million and increased from prior year by \$525,000 due to an increase in state distributions of \$171,000 and the total exceeding the decrease in project expenditures.

The Receipts Reserved for Appropriations Fund is used to account for various Town items including the ambulance, Title V, betterments, landfill post-closure costs and the sale of cemetery lots. At the end of the current year, fund balance totaled \$1.3 million. This increased from prior year by \$140,000 because of departmental revenues exceeded transfers to other funds.

General Fund Budgetary Highlights

The Town adopts an annual budget for the general fund. The original 2014 approved budget for the general fund authorized approximately \$34.3 million in appropriations and other amounts to be raised. During 2014, Town Meeting also approved supplemental appropriations totaling approximately \$591,000. The most significant of this change included \$260,000 for debt service, \$359,000 in public works and \$117,000 in public safety.

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2014, amounts to \$32.2 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, system improvements, machinery and equipment, park facilities, vehicles, roads, highways, and bridges.

Major capital asset events during the current year included the inception of several capital leases, a parcel of land, street infrastructure, public safety vehicles, renovations on Griffin Memorial Hall and the installation of a water pump.

Long-term debt. At the end of the current year, the Town had total bonded debt outstanding of \$1 million and \$4.9 million for the governmental and business-type activities, respectively.

The Town maintains a "AA-" bond rating from Standard & Poor's and an "A-3" bond rating from Moody's Investors Service.

Please refer to the Notes 4, 7 and 8 and for further discussion of capital asset and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant at Town Hall, 108 Main Street, Carver, Massachusetts 02330.

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2014

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 8,477,815	\$ 525,946	\$ 9,003,761
Investments.....	1,027,050	-	1,027,050
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	751,186	-	751,186
Tax liens.....	574,873	-	574,873
Motor vehicle excise taxes.....	172,590	-	172,590
User fees.....	-	49,010	49,010
Departmental and other.....	610,397	-	610,397
Special assessments.....	24,740	203,711	228,451
Intergovernmental.....	745,249	-	745,249
Loans.....	22,997	-	22,997
Internal balances.....	95,845	-	95,845
Prepaid expenses.....	8,009	-	8,009
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special assessments.....	-	1,421,585	1,421,585
Tax foreclosures.....	372,327	-	372,327
Capital assets, nondepreciable.....	5,167,752	1,370,390	6,538,142
Capital assets, net of accumulated depreciation.....	21,818,634	3,930,655	25,749,289
TOTAL ASSETS.....	39,869,464	7,501,297	47,370,761
LIABILITIES			
CURRENT:			
Accrued payroll.....	39,197	-	39,197
Accrued interest.....	21,600	99,168	120,768
Payroll withholdings.....	271,050	-	271,050
Customer deposits payable.....	351,481	-	351,481
Capital lease obligations.....	301,332	11,119	312,451
Landfill.....	130,000	-	130,000
Compensated absences.....	317,005	-	317,005
Notes payable.....	259,160	-	259,160
Bonds payable.....	357,100	65,657	422,757
NONCURRENT:			
Capital lease obligations.....	985,493	-	985,493
Landfill.....	870,000	-	870,000
Compensated absences.....	455,406	-	455,406
Other postemployment benefits.....	19,223,279	-	19,223,279
Bonds payable.....	631,202	4,850,315	5,481,517
TOTAL LIABILITIES.....	24,213,305	5,026,259	29,239,564
NET POSITION			
Net investment in capital assets.....	25,738,924	385,073	26,123,997
Restricted for:			
Loans.....	22,997	-	22,997
Permanent funds:			
Expendable.....	350,334	-	350,334
Nonexpendable.....	165,464	-	165,464
Other specific purposes.....	5,254,133	-	5,254,133
Unrestricted.....	(15,875,693)	2,089,965	(13,785,728)
TOTAL NET POSITION.....	\$ 15,656,159	\$ 2,475,038	\$ 18,131,197

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

	Program Revenues				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 2,822,589	\$ 198,411	\$ 82,918	\$ -	\$ (2,541,260)
Public safety.....	4,496,758	1,034,290	130,221	289	(3,331,958)
Education.....	32,488,493	586,096	14,697,296	-	(17,205,101)
Public works.....	1,426,868	119,479	-	481,842	(825,547)
Community preservation.....	67,737	-	-	339,992	272,255
Human services.....	899,706	240,560	173,879	-	(485,267)
Culture and recreation.....	609,970	21,051	16,927	-	(571,992)
Interest.....	85,361	-	-	-	(85,361)
Total Governmental Activities.....	42,897,482	2,199,887	15,101,241	822,123	(24,774,231)
<i>Business-Type Activities:</i>					
North Carver Water District.....	560,077	242,915	94,064	-	(223,098)
Cranberry Village.....	51,309	67,172	-	-	15,863
Total Business-Type Activities.....	611,386	310,087	94,064	-	(207,235)
Total Primary Government.....	\$ 43,508,868	\$ 2,509,974	\$ 15,195,305	\$ 822,123	\$ (24,981,466)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (24,774,231)	\$ (207,235)	\$ (24,981,466)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	20,105,475	-	20,105,475
Tax liens.....	45,693	-	45,693
Motor vehicle and other excise taxes.....	1,465,264	-	1,465,264
Penalties and interest on taxes.....	218,077	-	218,077
Payments in lieu of taxes.....	44,579	-	44,579
Grants and contributions not restricted to specific programs.....	1,483,669	-	1,483,669
Unrestricted investment income.....	38,643	1,104	39,747
Miscellaneous.....	154,104	-	154,104
<i>Transfers, net</i>	(133,643)	133,643	-
Total general revenues and transfers.....	23,421,861	134,747	23,556,608
Change in net position.....	(1,352,370)	(72,488)	(1,424,858)
<i>Net Position:</i>			
Beginning of year.....	17,008,529	2,547,526	19,556,055
End of year.....	\$ 15,656,159	\$ 2,475,038	\$ 18,131,197

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2014

	General	Community Preservation	Receipts Reserved for Appropriation	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents.....	\$ 3,537,969	\$ 1,989,390	\$ 1,301,055	\$ 1,649,401	\$ 8,477,815
Investments.....	1,027,050	-	-	-	1,027,050
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	751,186	-	-	-	751,186
Tax liens.....	567,131	7,742	-	-	574,873
Motor vehicle excise taxes.....	172,590	-	-	-	172,590
Departmental and other.....	62,417	13,526	474,191	60,263	610,397
Special assessments.....	-	-	24,740	-	24,740
Intergovernmental.....	256,288	-	-	488,961	745,249
Loans.....	-	-	-	22,997	22,997
Tax foreclosures.....	371,712	615	-	-	372,327
Due from other funds.....	95,845	-	-	-	95,845
Prepaid expenses.....	8,009	-	-	-	8,009
TOTAL ASSETS.....	\$ 6,850,197	\$ 2,011,273	\$ 1,799,986	\$ 2,221,622	\$ 12,883,078
LIABILITIES:					
Accrued payroll.....	\$ 36,397	\$ -	\$ -	\$ 2,800	\$ 39,197
Liabilities due depositors.....	351,481	-	-	-	351,481
Payroll withholdings.....	271,050	-	-	-	271,050
Notes payable.....	-	-	-	259,160	259,160
TOTAL LIABILITIES.....	658,928	-	-	261,960	920,888
DEFERRED INFLOWS OF RESOURCES					
Unavaialbe revenues.....	1,958,073	21,883	498,932	324,871	2,803,759
FUND BALANCES:					
Nonspendable.....	-	-	-	165,464	165,464
Restricted.....	-	1,989,390	1,301,054	1,469,327	4,759,771
Committed.....	792,421	-	-	-	792,421
Assigned.....	78,920	-	-	-	78,920
Unassigned.....	3,361,855	-	-	-	3,361,855
TOTAL FUND BALANCES.....	4,233,196	1,989,390	1,301,054	1,634,791	9,158,431
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 4,892,124	\$ 2,011,273	\$ 1,799,986	\$ 1,896,751	\$ 10,079,319

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

JUNE 30, 2014

Total governmental fund balances.....	\$ 9,158,431
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	26,986,386
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....	2,803,759
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(21,600)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds payable.....	(988,302)
Capital lease obligations.....	(1,286,825)
Landfill liability.....	(1,000,000)
Other postemployment benefit obligations.....	(19,223,279)
Compensated absences.....	<u>(772,411)</u>
Net effect of reporting long-term liabilities.....	<u>(23,270,817)</u>
Net position of governmental activities.....	<u>\$ 15,656,159</u>

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2014

	General	Community Preservation	Receipts Reserved for Appropriation	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 19,572,710	\$ -	\$ -	\$ -	\$ 19,572,710
Tax liens.....	182,154	-	-	-	182,154
Motor vehicle and other excise taxes.....	1,509,468	-	-	-	1,509,468
Penalties and interest on taxes.....	218,077	-	-	-	218,077
Payments in lieu of taxes.....	44,579	-	-	-	44,579
Fines and forfeitures.....	5,389	-	-	-	5,389
Intergovernmental.....	14,918,111	-	-	1,937,077	16,855,188
Departmental and other.....	395,767	-	706,669	1,169,725	2,272,161
Community preservation.....	-	698,135	-	-	698,135
Investment income.....	28,703	7,338	-	2,681	38,722
TOTAL REVENUES.....	36,874,958	705,473	706,669	3,109,483	41,396,583
EXPENDITURES:					
Current:					
General government.....	2,221,041	-	-	10,385	2,231,426
Public safety.....	3,255,866	-	-	369,817	3,625,683
Education.....	22,860,472	-	-	2,166,248	25,026,720
Public works.....	1,417,928	-	-	314,117	1,732,045
Human services.....	483,051	-	-	272,635	755,686
Culture and recreation.....	386,789	-	-	46,962	433,751
Pension benefits.....	4,330,982	-	-	-	4,330,982
Employee benefits.....	1,050,152	-	-	-	1,050,152
Community preservation.....	-	67,737	-	-	67,737
State and county charges.....	374,916	-	-	-	374,916
Capital lease payments.....	258,062	-	-	-	258,062
Debt service:					
Principal.....	260,100	100,000	-	-	360,100
Interest.....	33,044	13,080	-	-	46,124
TOTAL EXPENDITURES.....	36,932,403	180,817	-	3,180,164	40,293,384
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(57,445)	524,656	706,669	(70,681)	1,103,199
OTHER FINANCING SOURCES (USES):					
Capital lease financing.....	476,000	-	-	-	476,000
Transfers in.....	576,114	-	-	359,023	935,137
Transfers out.....	(492,100)	-	(566,432)	(10,248)	(1,068,780)
TOTAL OTHER FINANCING SOURCES (USES)....	560,014	-	(566,432)	348,775	342,357
NET CHANGE IN FUND BALANCES.....	502,569	524,656	140,237	278,094	1,445,556
FUND BALANCES AT BEGINNING OF YEAR.....	3,730,627	1,464,734	1,160,817	1,356,697	7,712,875
FUND BALANCES AT END OF YEAR.....	\$ 4,233,196	\$ 1,989,390	\$ 1,301,054	\$ 1,634,791	\$ 9,158,431

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds.....		\$ 1,445,556
<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.</p>		
Capital outlay.....	1,361,007	
Depreciation expense.....	<u>(1,758,391)</u>	
Net effect of reporting capital assets.....		(397,384.00)
<p>Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		282,172
<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 effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Capital lease financing.....	(476,000)	
Capital lease principal payments.....	302,151	
Debt service principal payments.....	<u>360,100</u>	
Net effect of reporting long-term debt.....		186,251
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	85,781	
Net change in accrued interest on long-term debt.....	7,867	
Net change in landfill liability.....	403,000	
Net change in other postemployment benefit obligations.....	<u>(3,365,613)</u>	
Net effect of recording long-term liabilities.....		<u>(2,868,965)</u>
Change in net position of governmental activities.....		\$ <u><u>(1,352,370)</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2014

	Business-type Activities - Enterprise Funds		
	North Carver Water District	Cranberry Village	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 320,745	\$ 205,201	\$ 525,946
Receivables, net of allowance for uncollectibles:			
User fees.....	38,276	10,734	49,010
Special assessments.....	203,711	-	203,711
Total current assets.....	562,732	215,935	778,667
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special assessments.....	1,421,585	-	1,421,585
Capital assets, nondepreciable.....	1,370,390	-	1,370,390
Capital assets, net of accumulated depreciation.....	3,930,655	-	3,930,655
Total noncurrent assets.....	6,722,630	-	6,722,630
TOTAL ASSETS.....	7,285,362	215,935	7,501,297
LIABILITIES			
CURRENT:			
Accrued interest.....	99,168	-	99,168
Capital lease obligations.....	11,119	-	11,119
Bonds payable.....	65,657	-	65,657
Total current liabilities.....	175,944	-	175,944
NONCURRENT:			
Bonds payable.....	4,850,315	-	4,850,315
TOTAL LIABILITIES.....	5,026,259	-	5,026,259
NET POSITION			
Net investment in capital assets.....	1,806,658	-	1,806,658
Unrestricted.....	452,445	215,935	668,380
TOTAL NET POSITION.....	\$ 2,259,103	\$ 215,935	\$ 2,475,038

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

YEAR ENDED JUNE 30, 2014

	Business-type Activities - Enterprise Funds		
	North Carver Water District	Cranberry Village	Total
<u>OPERATING REVENUES:</u>			
Charges for services	\$ 242,254	\$ 67,172	\$ 309,426
<u>OPERATING EXPENSES:</u>			
Cost of services and administration	103,175	51,309	154,484
Utilities.....	35,445	-	35,445
Other.....	91,060	-	91,060
Depreciation.....	137,069	-	137,069
 TOTAL OPERATING EXPENSES	 366,749	 51,309	 418,058
 OPERATING INCOME (LOSS).....	 (29,770)	 15,863	 (13,907)
<u>NONOPERATING REVENUES (EXPENSES):</u>			
Investment income.....	387	717	1,104
Interest expense.....	(193,328)	-	(193,328)
 TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	 (192,941)	 717	 (192,224)
 INCOME (LOSS) BEFORE TRANSFERS.....	 (222,711)	 16,580	 (206,131)
<u>TRANSFERS:</u>			
Transfers in.....	136,574	-	136,574
Transfers out.....	-	(2,931)	(2,931)
 TOTAL TRANSFERS.....	 136,574	 (2,931)	 133,643
 CHANGE IN NET POSITION.....	 (86,137)	 13,649	 (72,488)
 NET POSITION AT BEGINNING OF YEAR.....	 2,345,240	 202,286	 2,547,526
 NET POSITION AT END OF YEAR.....	 \$ 2,259,103	 \$ 215,935	 \$ 2,475,038

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2014

	Business-type Activities - Enterprise Funds		
	North Carver Water District	Cranberry Village	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Receipts from customers and users.....	\$ 488,557	\$ 69,321	\$ 557,878
Payments to vendors.....	(241,138)	(54,121)	(295,259)
Payments to employees.....	(4,108)	-	(4,108)
NET CASH FROM OPERATING ACTIVITIES.....	243,311	15,200	258,511
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Transfers in.....	136,574	-	136,574
Transfers out.....	-	(2,931)	(2,931)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	136,574	(2,931)	133,643
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Principal payments on bonds.....	(86,284)	-	(86,284)
Principal payments on capital lease obligations.....	(10,548)	-	(10,548)
Interest expense.....	(196,123)	-	(196,123)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(292,955)	-	(292,955)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Investment income.....	387	717	1,104
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	87,317	12,986	100,303
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	233,428	192,215	425,643
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 320,745	\$ 205,201	\$ 525,946
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>			
Operating income (loss).....	\$ (29,770)	\$ 15,863	\$ (13,907)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation.....	137,069	-	137,069
Changes in assets and liabilities:			
User fees.....	151,578	2,149	153,727
Warrants payable.....	(15,566)	(2,812)	(18,378)
Total adjustments.....	273,081	(663)	272,418
NET CASH FROM OPERATING ACTIVITIES.....	\$ 243,311	\$ 15,200	\$ 258,511

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

	Agency Funds
ASSETS	
CURRENT:	
Receivables, net of allowance for uncollectibles:	
Departmental and other.....	\$ 207,922
LIABILITIES	
Accrued liabilities.....	356
Liabilities due depositors.....	111,721
Due to other funds.....	95,845
TOTAL LIABILITIES.....	\$ 207,922

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Carver, Massachusetts (Town) 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 recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

A. Reporting Entity

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

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. 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 significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. It has been determined that the Town has no component units that require inclusion in these basic financial statements.

B. 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 several ventures with other municipalities to pool resources and share costs, risks and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specific recipients. Shown below is a listing of the Town's joint ventures, their purpose, and the annual assessment paid by the Town in 2014.

Name	Purpose	2014 Assessment
Gateway Health Group Carver Town Hall, Carver MA	Employee and retiree health Insurance	\$ 5,614,348
Old Colony Regional Vocational Technical High School 476 North Avenue, Rochester, MA	To provide educational services	\$ 799,415
Carver, Marion, Wareham Regional Refuse Disposal District 2 Spring Street, Marion, MA	To provide refuse disposal facilities	\$ 15,153
Massachusetts Bay Regional Transit Authority 45 High Street, Boston, MA	Regional transportation services	\$ 26,759
Greater Attleborough/Taunton Regional Transit Authority 88 Broadway, Taunton, MA	Regional transportation services	\$ 48,681

The Town is indirectly liable for debt and other expenditures and is assessed annually for its share of operating and capital costs.

C. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets and deferred outflows of resources, liabilities and deferred inflows or resources, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Fiduciary funds are reported by fund type.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 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 particular 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 particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

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

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

Fund Financial Statements

Governmental fund 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 year-end. 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 the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *community preservation fund* is a special revenue fund used to account for funds held for uses restricted by law for community preservation purposes. These funds are attributable to the Town's acceptance of the Community Preservation Act, which allows the Town to impose up to a 3% surcharge on property taxes and to receive matching state grant funds for specified uses related to the acquisition, creation, preservation and support of open space, historic resources, land for recreational use and community housing.

The *receipts reserved for appropriations fund* is a special revenue fund used to account for various purposes in which the Town restricts the expenditures. The largest appropriations in this fund are restricted for ambulance, title v, betterment, landfill post-closure costs and sale of cemetery plots.

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:

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than permanent funds or capital projects.

The *capital projects fund* is 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 of the governmental funds.

The *permanent fund* is used to account for and report financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

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

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

The *North Carver Water District* and *Cranberry Village funds* are used to account for the construction and operation of the Town's water system.

Fiduciary fund 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 governmental programs.

The following fiduciary fund types are reported:

The *agency fund* is used to account for assets held in a purely custodial capacity.

E. Cash 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.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Real Estate, 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. Taxes are due 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. Real estate and personal property taxes levied are recorded as receivables in the year of the levy.

Real estate tax liens are processed by the fourth quarter of every year on delinquent properties and are recorded as receivables in the year they are processed.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Motor Vehicle Excise

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

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Community Preservation

Community Preservation surcharges are billed with the real estate and personal property tax levy and are 3% of the total real estate tax bill. These surcharges are due 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. The surcharges are recorded as receivables in the year of the levy.

Community Preservation surcharge liens are processed by the fourth quarter of every year on delinquent properties and are recorded as receivables in the year they are processed.

The Community Preservation receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Departmental and Other

Departmental and other receivables consist primarily of ambulances charges and are recorded as receivables in the year accrued. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Intergovernmental

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

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Loans

The Town administers septic loans to qualifying residents in relation to septic system repairs. Upon issuance, a receivable is recorded for the principal amount of the loan.

The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

G. 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.

H. Capital Assets***Government-Wide and Proprietary Fund Financial Statements***

Capital assets, which include land, buildings and facilities, improvements other than building, machinery and equipment, vehicles, drainage and water systems, infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund 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. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

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) are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Land improvements.....	25-50
Buildings and facilities.....	25-50
Building improvements.....	10-50
Machinery and equipment.....	3-20
Vehicles.....	5
Drainage and water systems.....	20-40
Infrastructure.....	25-50
Software.....	3

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 Fund Financial Statements

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

I. Deferred Outflows/Inflows of Resources*Government-Wide Financial Statements (Net Position)*

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, *deferred outflows of resources*, 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 then. The Town did not have any items that qualify for reporting in this category.

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, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town did not have any items that qualify for reporting in this category.

Governmental Fund Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents assets that have been recorded in the governmental fund financial statements but the revenue is not available and so will *not* be recognized as an inflow of resources (revenue) until it becomes available. The Town has recorded unavailable revenue as deferred inflows of resources in the governmental funds balance sheet. Unavailable revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

J. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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.

K. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

Government-Wide Financial Statements

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

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

L. Net Position and Fund Equity

Government-Wide 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:

"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 and consists primarily of gifts and grants.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Financial Statements (Fund Balances)

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

"Nonspendable" fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

"Restricted" fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority.

“Assigned” fund balance includes amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The Town’s spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

M. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

N. 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).

P. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund 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.

Q. 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 year. Actual results could vary from estimates that were used.

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

NOTE 2 - CASH AND INVESTMENTS

The Town maintains a cash and investment pool that is available for use by all funds, except the Trust Funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents". The deposits and investments of the Trust Funds are held separately from those of other Town funds.

Statutes authorize the Town to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (Pool). In addition, there are various restrictions limiting the amount and length of deposits and investments.

It is the Town's policy to invest public funds in a manner which will provide the maximum security with the highest investment return while meeting the daily cash flow demands of the Town. The Town follows the policies established under Massachusetts General Laws. The Commonwealth's statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the Pool.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial credit risk for deposits is the risk that in event of a bank failure, the government's deposits may not be returned to it. The Town does not have a formal deposit policy covering custodial risk. At year-end, the carrying amount of deposits totaled \$8,972,425 and the bank balance totaled \$9,923,646. Of the bank balance, \$1,977,169 was covered by Federal Depository Insurance, \$3,468,524 was covered by the Depositors Insurance Fund, \$968,447 was covered by the Share Insurance Fund, and \$3,509,506 was uninsured and uncollateralized.

Investments for the Town are as follows:

<u>Investment Type</u>	<u>Fair Value</u>
<u>Debt Securities</u>	
U.S. Treasury Notes.....	\$ 83,956
U.S. Government Securities.....	583,103
Corporate Bonds.....	<u>96,895</u>
Total Debt Securities.....	763,954
<u>Other Investments</u>	
Equity Securities.....	138,071
Equity Mutual Funds.....	125,025
Money Market Mutual Funds.....	10,583
MMDT.....	<u>20,753</u>
Total Investments.....	<u>\$ 1,058,386</u>

Custodial credit risk for investments is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Town does not have a formal investment policy covering custodial risk. Of the investments including \$83,956 in government agencies, \$583,103 in government sponsored enterprises and \$96,895 of corporate bonds, the government has custodial credit risk exposure totaling \$763,954 because the related securities are uninsured, unregistered and held by the counterparty. The Town does not have an investment policy for custodial credit risk.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair market value of an investment. The Town does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>		
		<u>AA+</u>	<u>AA</u>	<u>BBB+</u>
U.S. Treasury Notes.....	\$ 83,956	\$ 83,956	\$ -	\$ -
Government Sponsored Enterprises.....	583,103	583,103	-	-
Corporate Bonds.....	<u>96,895</u>	<u>46,663</u>	<u>24,716</u>	<u>25,516</u>
Total.....	<u>\$ 763,954</u>	<u>\$ 713,722</u>	<u>\$ 24,716</u>	<u>\$ 25,516</u>

The debt securities above had maturity dates between 1 to 5 years.

The Town participates in MMDT, which maintains a cash portfolio and a short-term bond portfolio with combined average maturities of approximately 3 months. The Town's investment in MMDT is unrated.

Concentration of credit risk - The Town places no limit on the amount the Town may invest in any one issuer. No more than 5 percent of the Town's investments are in equity securities and are invested in any one issuer.

NOTE 3 - RECEIVABLES

At June 30, 2014, receivables for the individual major, non-major governmental funds and internal service 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.....	\$ 780,189	\$ (29,003)	\$ 751,186
Tax liens.....	574,873	-	574,873
Motor vehicle and other excise taxes.....	230,216	(57,626)	172,590
Departmental and other.....	663,085	(52,688)	610,397
Special assessments.....	24,740	-	24,740
Intergovernmental.....	745,249	-	745,249
Loans.....	22,997	-	22,997
Total.....	<u>\$ 3,041,349</u>	<u>\$ (139,317)</u>	<u>\$ 2,902,032</u>

At June 30, 2014, receivables for the North Carver Water District and Cranberry Village enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
User fees and special assessments.....	<u>\$ 1,674,306</u>	<u>\$ -</u>	<u>\$ 1,674,306</u>

Governmental funds report *deferred inflows of resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current year, the various components of *deferred inflows of resources* reported in the governmental funds were as follows:

	General Fund	Community Preservation	Receipts Reserved for Appropriations	Nonmajor Governmental Funds	Total
<u>Receivable and other asset type:</u>					
Real estate and personal property taxes.....	\$ 588,852	\$ -	\$ -	\$ -	\$ 588,852
Tax liens.....	567,131	7,742	-	-	574,873
Motor vehicle and other excise taxes.....	172,591	-	-	-	172,591
Special assessments.....	-	-	24,740	-	24,740
Community preservation fund state share....	-	13,526	-	-	13,526
Departmental and other.....	14,123	-	474,192	60,263	548,578
Intergovernmental.....	195,766	-	-	241,611	437,377
Loans.....	-	-	-	22,997	22,997
Tax foreclosures.....	419,610	615	-	-	420,225
Total.....	<u>\$ 1,958,073</u>	<u>\$ 21,883</u>	<u>\$ 498,932</u>	<u>\$ 324,871</u>	<u>\$ 2,803,759</u>

NOTE 4 - CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 4,997,064	\$ 1,790	\$ -	\$ 4,998,854
Construction in progress.....	83,989	84,909	-	168,898
Total capital assets not being depreciated.....	5,081,053	86,699	-	5,167,752
<u>Capital assets being depreciated:</u>				
Buildings and facilities.....	44,082,451	-	-	44,082,451
Improvements other than buildings.....	1,766,913	155,000	-	1,921,913
Machinery and equipment.....	1,481,860	268,148	-	1,750,008
Vehicles.....	6,041,616	535,000	(230,109)	6,346,507
Infrastructure.....	12,248,665	316,160	(289,065)	12,275,760
Total capital assets being depreciated.....	65,621,505	1,274,308	(519,174)	66,376,639
<u>Less accumulated depreciation for:</u>				
Buildings and facilities.....	(26,632,955)	(1,092,916)	-	(27,725,871)
Improvements other than buildings.....	(888,669)	(73,674)	-	(962,343)
Machinery and equipment.....	(751,859)	(121,686)	-	(873,545)
Vehicles.....	(4,558,117)	(362,918)	230,109	(4,690,926)
Infrastructure.....	(10,487,188)	(107,197)	289,065	(10,305,320)
Total accumulated depreciation.....	(43,318,788)	(1,758,391)	519,174	(44,558,005)
Total capital assets being depreciated, net.....	22,302,717	(484,083)	-	21,818,634
Total governmental activities capital assets, net.....	\$ 27,383,770	\$ (397,384)	\$ -	\$ 26,986,386

	Beginning Balance	Increases	Decreases	Ending Balance
North Carver Water District Enterprise Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,370,390	\$ -	\$ -	\$ 1,370,390
<u>Capital assets:</u>				
Buildings and facilities.....	2,976,573	-	-	2,976,573
Improvements other than buildings.....	79,245	-	-	79,245
Machinery and equipment.....	791,484	-	-	791,484
Vehicles.....	52,465	-	-	52,465
Infrastructure.....	424,268	-	-	424,268
Total capital assets being depreciated.....	4,324,035	-	-	4,324,035
<u>Less accumulated depreciation for:</u>				
Buildings and facilities.....	(148,829)	(74,414)	-	(223,243)
Improvements other than buildings.....	(991)	(1,981)	-	(2,972)
Machinery and equipment.....	(59,361)	(39,574)	-	(98,935)
Vehicles.....	(26,233)	(10,493)	-	(36,726)
Infrastructure.....	(20,897)	(10,607)	-	(31,504)
Total accumulated depreciation.....	(256,311)	(137,069)	-	(393,380)
Total capital assets being depreciated, net.....	4,067,724	(137,069)	-	3,930,655
Total water district capital assets, net.....	\$ 5,438,114	\$ (137,069)	\$ -	\$ 5,301,045

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

Governmental Activities:

General government.....	\$ 72,577
Public safety.....	195,535
Education.....	1,101,707
Public works.....	268,380
Human services.....	15,776
Culture and recreation.....	104,416

Total depreciation expense - governmental activities..... \$ 1,758,391

Business-Type Activities:

North Carver Water District..... \$ 137,069

NOTE 5 – CAPITAL LEASES

The Town has entered into non-cancelable long-term lease agreements for the purchase of certain equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The following identifies the assets acquired through capital lease agreements:

<u>Asset:</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Machinery and equipment.....	\$ 2,714,220	52,639
Less: accumulated depreciation.....	<u>(1,088,298)</u>	<u>(36,726)</u>
Total.....	<u>\$ 1,625,922</u>	<u>15,913</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014 were as follows:

<u>Fiscal Years Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2015.....	\$ 349,794	\$ 11,722
2016.....	336,610	-
2017.....	279,239	-
2018.....	217,435	-
2019.....	121,758	-
2020.....	75,684	-
2021.....	<u>48,545</u>	<u>-</u>
Total minimum lease payments.....	1,429,065	11,722
Less: amounts representing interest.....	<u>(142,240)</u>	<u>(603)</u>
Present value of minimum lease payments.....	<u>\$ 1,286,825</u>	<u>\$ 11,119</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

There were no receivables or payables between funds at June 30, 2014. Interfund transfers for the year ended June 30, 2014, are summarized as follows:

Operating Transfers Out:	Operating Transfers In:			
	General Fund	Nonmajor Governmental Funds	North Carver Water District	Total
General Fund.....	\$ -	\$ 359,023	\$ 133,077	\$ 492,100 (1)
Receipts Reserved for Appropriation.....	566,432	-	-	566,432 (1)
Nonmajor Governmental Funds.....	9,682	-	566	10,248 (1)
Cranberry Village.....	-	-	2,931	2,931 (1)
Total.....	\$ <u>576,114</u>	\$ <u>359,023</u>	\$ <u>136,574</u>	\$ <u>1,071,711</u>

- (1) Represent budgeted transfers of ambulance receipts, emergency management, school lunch, cemetery, revolving funds and indirect costs.

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 or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

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

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2013	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2014
Governmental Funds							
BAN	Municipal Purpose.....	0.50	3/21/2014	\$ 329,351	\$ -	\$ 329,351	\$ -
BAN	Municipal Purpose.....	0.50	5/30/2014	229,320	-	229,320	-
BAN	Municipal Purpose.....	0.50	7/21/2014	-	150,000	-	150,000
BAN	Municipal Purpose.....	0.50	7/21/2014	-	109,160	-	109,160
Total governmental funds.....				\$ <u>558,671</u>	\$ <u>259,160</u>	\$ <u>558,671</u>	\$ <u>259,160</u>

NOTE 8 - LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

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

Bonds Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
Town Hall Refunding.....	2017	1,185,000	3.27	\$ 515,000	-	134,000	\$ 381,000
Library Refunding.....	2017	969,000	3.27	389,000	-	115,000	274,000
Land Acquisition.....	2017	900,000	3.27	400,000	-	100,000	300,000
Septic System Betterment.....	2017	199,807	4.5-6.0	44,402	-	11,100	33,302
Total.....				<u>\$ 1,348,402</u>	<u>\$ -</u>	<u>\$ 360,100</u>	<u>\$ 988,302</u>

Debt service requirements for principal and interest for Governmental bonds payable in future years are as follows:

Year	Principal	Interest	Total
2015.....	\$ 357,100	\$ 33,102	\$ 390,202
2016.....	352,100	21,163	373,263
2017.....	<u>279,102</u>	<u>9,388</u>	<u>288,490</u>
Total.....	<u>\$ 988,302</u>	<u>\$ 63,653</u>	<u>\$ 1,051,955</u>

The debt service for the land acquisition is paid for by the Community Preservation Fund.

Bonds Payable Schedule – Enterprise Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2013	Issued	Redeemed	Outstanding at June 30, 2014
Water System Bond.....	2021	500,000	4.0-6.0	\$ 500,000	\$ -	\$ -	\$ 500,000
Water System Bond.....	2028	25,000	7.50	23,000	-	23,000	-
Water System Bond.....	2047	1,700,000	3.75	1,652,582	-	24,864	1,627,718
RZED Water Bond.....	2049	2,900,000	3.75	2,826,674	-	38,420	2,788,254
Total				<u>\$ 5,002,256</u>	<u>\$ -</u>	<u>\$ 86,284</u>	<u>\$ 4,915,972</u>

Debt service requirements for principal and interest for Enterprise bonds payable in future years are as follows:

Year	Principal	Interest	Total
2015.....\$	65,657	\$ 190,849	\$ 256,506
2016.....	68,119	188,387	256,506
2017.....	170,674	183,082	353,756
2018.....	173,324	174,807	348,131
2019.....	176,073	166,183	342,256
2020.....	178,926	158,330	337,256
2021.....	181,886	151,370	333,256
2022.....	84,956	146,300	231,256
2023.....	88,143	143,113	231,256
2024.....	91,448	139,808	231,256
2025.....	94,877	136,379	231,256
2026.....	98,435	132,821	231,256
2027.....	102,126	129,130	231,256
2028.....	105,956	125,300	231,256
2029.....	109,929	121,327	231,256
2030.....	114,052	117,204	231,256
2031.....	118,329	112,927	231,256
2032.....	122,767	108,489	231,256
2033.....	127,370	103,886	231,256
2034.....	132,146	99,110	231,256
2035.....	137,102	94,154	231,256
2036.....	142,243	89,013	231,256
2037.....	147,577	83,679	231,256
2038.....	153,111	78,145	231,256
2039.....	158,853	72,403	231,256
2040.....	164,810	66,446	231,256
2041.....	170,991	60,265	231,256
2042.....	177,402	53,854	231,256
2043.....	184,055	47,201	231,256
2044.....	190,957	40,299	231,256
2045.....	198,119	33,138	231,257
2046.....	205,548	25,709	231,257
2047.....	210,750	17,997	228,747
2048.....	134,323	10,097	144,420
2049.....	134,938	5,058	139,996
Total.....\$	<u>4,915,972</u>	<u>\$ 3,606,260</u>	<u>\$ 8,522,232</u>

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2014, the Town had \$8,750,000 of authorized and unissued debt relating to the Central Fire Station/Training Center.

Changes in Long-term Liabilities

During the year ended June 30, 2014, the following changes occurred in long-term liabilities:

Governmental Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Long-Term Bonds.....	\$ 1,348,402	\$ -	\$ (360,100)	\$ 988,302	\$ 357,100
Capital Lease Obligations.....	1,112,976	476,000	(302,151)	1,286,825	301,332
Landfill.....	1,403,000	-	(403,000)	1,000,000	130,000
Compensated Absences.....	858,192	(85,781)	-	772,411	317,005
Other Postemployment Benefits....	15,857,666	3,365,613	-	19,223,279	-
Total.....	\$ 20,580,236	\$ 3,755,832	\$ (1,065,251)	\$ 23,270,817	\$ 1,105,437
 Business-Type Activities:	 <u>Beginning Balance</u>	 <u>Additions</u>	 <u>Reductions</u>	 <u>Ending Balance</u>	 <u>Current Portion</u>
Long-Term Bonds.....	\$ 5,002,256	\$ -	\$ (86,284)	\$ 4,915,972	\$ 65,657
Capital Lease Obligations.....	21,667	-	(10,548)	11,119	11,119
Total.....	\$ 5,023,923	\$ -	\$ (96,832)	\$ 4,927,091	\$ 76,776

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Town classifies fund balance according to constraints imposed on the use of those resources.

There are two major types of fund balance, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The Town has reported principal portion of endowment funds as nonspendable.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

As of June 30, 2014, the governmental fund balances consisted of the following:

	General	Community Preservation	Receipts Reserved for Appropriation	Nonmajor Governmental Funds	Total Governmental Funds
FUND BALANCES					
Nonspendable:					
Nonexpendable trust funds..... \$	- \$	- \$	- \$	165,464 \$	165,464
Restricted for:					
Community preservation.....	-	1,989,390	-	-	1,989,390
Town receipts reserved.....	-	-	1,301,054	-	1,301,054
Town gift and grant funds.....	-	-	-	202,698	202,698
School lunch.....	-	-	-	27,147	27,147
School gift and grant funds.....	-	-	-	324,486	324,486
Town other special revenue funds.....	-	-	-	563,672	563,672
Town capital equipment.....	-	-	-	990	990
Expendable trust funds.....	-	-	-	350,334	350,334
Committed to:					
General government.....	85,070	-	-	-	85,070
Public safety.....	10,266	-	-	-	10,266
Education.....	6,979	-	-	-	6,979
Public works.....	95,235	-	-	-	95,235
Human services.....	11,708	-	-	-	11,708
Capital building stabilization.....	583,163	-	-	-	583,163
Assigned to:					
General government.....	58,959	-	-	-	58,959
Public safety.....	1,006	-	-	-	1,006
Education.....	15,790	-	-	-	15,790
Public works.....	1,847	-	-	-	1,847
Culture and recreation.....	1,318	-	-	-	1,318
Unassigned.....	3,361,855	-	-	-	3,361,855
TOTAL FUND BALANCES..... \$	4,233,196	1,989,390	1,301,054	1,634,791	9,158,431

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

At year end the balance of the general stabilization fund is \$1,017,466 and is reported as unassigned fund balance within the general fund; the balance of the capital building stabilization fund is \$583,163 and is reported as committed fund balance within the general fund.

NOTE 10 - 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 a health insurance risk pool trust administered by Gateway Municipal Health Group (Group), a non-profit organization, to obtain health insurance for member governments at costs eligible for larger groups. The Group offers a variety of premium based plans to its members with each participating governmental unit being charged a premium for coverage based on rates established by the Group. The Town is obligated to pay the group its required premiums and, in the event the Group is terminated, its pro-rata share of a deficit should one exist.

The Town also participates in a premium-based workers' compensation insurance plan for its employees, except for police officers and firefighters for which the Town is self-insured. The Town's incurred but not reported claims for workers' compensation are not material at June 30, 2014, and therefore are not reported.

NOTE 11 - PENSION PLAN

Plan Description - The Town contributes to the Plymouth County Retirement Association (Association), a cost-sharing multiple-employer defined benefit pension plan administered by the Association. Substantially all employees are members of the Association, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$3,403,000 for the year ended June 30, 2014, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

The Association provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Association and are borne by the Association. The Association issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the Association located at 11 Russell Street, Plymouth, Massachusetts, 02360.

Funding Policy - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll.

Annual Pension Cost - The Town contributions to the System for the years ended June 30, 2014, 2013 and 2012 were \$1,531,151, \$1,475,530, and \$1,321,858, respectively, which equaled its required contribution for each year.

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Town of Carver administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Town's group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 50 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 50 percent of their premium costs. For 2014 contributions to the plan totaled approximately \$1,288,000.

Annual OPEB Cost and Net OPEB Obligation – The Town's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation are summarized in the following table:

Annual required contribution.....	\$ 4,669,515
Interest on net OPEB obligation.....	634,307
Adjustment to annual required contribution.....	<u>(650,612)</u>
Annual OPEB cost (expense).....	4,653,210
Contributions made.....	<u>(1,287,597)</u>
Increase/Decrease in net OPEB obligation.....	3,365,613
Net OPEB obligation - beginning of year.....	<u>15,857,666</u>
Net OPEB obligation - end of year.....	<u><u>\$ 19,223,279</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 was as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 4,653,210	28%	\$ 19,223,279
6/30/2013	4,579,373	26%	15,857,666
6/30/2012	4,352,129	26%	12,490,952

Funded Status and Funding Progress – As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$45,804,226, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan and the ratio of UAAL to the covered payroll was not available at June 30, 2014.

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 schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013, actuarial valuation, actuarial liabilities were determined using the entry age normal cost method. The actuarial assumptions included a 4% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 5% and included a 2.5% inflation assumption. The amortization of UAAL is level dollar amortization over 30 years at last valuation. The remaining amortization period at July 1, 2013 is 25 years.

NOTE 13 - COMMITMENTS

Town meeting authorized the borrowing of \$8.75 million for a new Central Fire Station/Training Center.

The June 16, 2014 annual town meeting authorized the commitment of approximately \$1.3 million for various capital projects, as well as a feasibility study for a new elementary school complex in the amount of \$410,000.

NOTE 14 - CONTINGENCIES

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

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2014, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2014.

NOTE 15 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2014, the following GASB pronouncements were implemented:

- GASB Statement #65, *Items Previously Reported as Assets and Liabilities*. Financial statement changes include deferred outflows and inflows being presented in the Statement of Net Position. Notes to the basic financial statements were changed to provide additional disclosure on deferred outflows of resources and deferred inflows of resources.
- GASB Statement #67, *Financial Reporting for Pension Plans*. The implementation of this pronouncement did not impact the basic financial statements.
- GASB Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The implementation of this pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in future years:

- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions*, which is required to be implemented in 2015.

- The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in 2015.
- The GASB issued Statement #71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which is required to be implemented simultaneously with GASB Statement #68 in 2015.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

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Required Supplementary Information

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 19,561,046	\$ 19,561,046	\$ 19,561,046
Tax liens.....	-	-	-	-
Motor vehicle and other excise taxes.....	-	1,275,000	1,275,000	1,275,000
Penalties and interest on taxes.....	-	140,000	140,000	140,000
Payments in lieu of taxes.....	-	72,000	72,000	72,000
Fines and forfeitures.....	-	24,597	24,597	24,597
Intergovernmental.....	-	11,437,097	11,437,097	11,437,097
Departmental and other.....	-	287,961	287,961	287,961
Investment income.....	-	17,000	17,000	17,000
TOTAL REVENUES.....	-	32,814,701	32,814,701	32,814,701
EXPENDITURES:				
Current:				
General government.....	39,962	2,594,358	2,634,320	2,593,200
Public safety.....	35,653	3,119,294	3,154,947	3,271,485
Education.....	228,473	22,484,257	22,712,730	22,703,857
Public works.....	85,241	1,040,413	1,125,654	1,484,834
Human services.....	8,381	470,385	478,766	504,766
Culture and recreation.....	954	380,255	381,209	389,111
Pension benefits.....	-	933,963	933,963	933,963
Employee benefits.....	-	1,150,731	1,150,731	1,093,465
State and county charges.....	-	415,391	415,391	415,391
Capital lease payments.....	-	-	-	260,361
Debt service:				
Principal.....	-	260,100	260,100	261,101
Interest.....	-	379,717	379,717	53,355
TOTAL EXPENDITURES.....	398,664	33,228,864	33,627,528	33,964,889
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(398,664)	(414,163)	(812,827)	(1,150,188)
OTHER FINANCING SOURCES (USES):				
Transfers in.....	-	607,635	607,635	607,635
Transfers out.....	-	(688,511)	(688,511)	(942,646)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(80,876)	(80,876)	(335,011)
NET CHANGE IN FUND BALANCE.....	(398,664)	(495,039)	(893,703)	(1,485,199)
BUDGETARY FUND BALANCE, Beginning of year.....	-	2,445,057	2,445,057	2,445,057
BUDGETARY FUND BALANCE, End of year.....	\$ (398,664)	\$ 1,950,018	\$ 1,551,354	\$ 959,858

See notes to required supplementary information.

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$ 19,662,357	\$ -	\$ 101,311
182,154	-	182,154
1,509,468	-	234,468
218,077	-	78,077
44,579	-	(27,421)
5,389	-	(19,208)
11,515,206	-	78,109
395,767	-	107,806
12,464	-	(4,536)
33,545,461	-	730,760
2,221,041	144,029	228,130
3,175,866	11,272	84,347
22,675,253	22,769	5,835
1,327,928	97,082	59,824
483,051	11,708	10,007
386,789	1,318	1,004
928,077	-	5,886
1,050,152	13,676	29,637
374,916	-	40,475
258,062	-	2,299
260,100	-	1,001
33,044	-	20,311
33,174,279	301,854	488,756
371,182	(301,854)	1,219,516
576,114	-	(31,521)
(922,100)	-	20,546
(345,986)	-	(10,975)
25,196		
2,445,057		
\$ 2,470,253		

**Plymouth County Contributory Retirement System
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/13	\$ 666,899,774	\$ 1,319,764,989	\$ 652,865,215	50.5%	\$ 238,655,485	273.6%
01/01/11	666,730,812	1,187,447,414	520,716,602	56.1%	228,289,638	228.1%
01/01/10	673,709,456	1,132,847,379	459,137,923	59.5%	227,507,647	201.8%
01/01/09	579,877,224	1,159,210,636	579,333,412	50.0%	264,541,078	219.0%
01/01/08	683,819,938	1,056,020,215	372,200,277	64.8%	252,682,832	147.3%
01/01/07	606,629,089	987,840,418	381,211,329	61.4%	244,574,136	155.9%
01/01/06	558,533,863	918,851,707	360,317,844	60.8%	226,262,731	159.2%
01/01/04	520,104,805	802,158,453	282,053,648	64.8%	208,312,002	135.4%
01/01/02	466,325,660	733,198,204	266,872,544	63.6%	205,039,686	130.2%
01/01/00	450,210,619	611,204,058	160,993,439	73.7%	178,010,731	90.4%
01/01/98	316,253,566	492,303,777	176,050,211	64.2%	148,264,981	118.7%

The Town's share of the UAAL, as of January 1, 2013, is approximately 2.8%.

See notes to required supplementary information.

**Plymouth County Contributory Retirement System
Schedule of Employer Contributions**

System Wide				Town of Carver	
Plan Year Ended December 31	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) District's Percentage of System Wide Actual Contributions
2014	\$ 54,966,177	\$ 54,966,177	100%	\$ 1,531,151	2.79%
2013	52,815,432	52,815,432	100%	1,475,530	2.79%
2012	46,850,764	46,850,764	100%	1,321,858	2.82%

The Town's Actual Contributions equaled 100% of its Required Contributions for each year presented.

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

JUNE 30, 2014

Schedule 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)
7/1/2013	\$ -	\$ 45,804,226	\$ 45,804,226	0%	\$ N/A	N/A
7/1/2011	-	42,876,017	42,876,017	0%	N/A	N/A
7/1/2009	-	46,089,369	46,089,369	0%	19,638,719	234.7%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2014	\$ 4,669,515	\$ 1,287,597	28%
2013	4,893,201	1,212,659	25%
2012	4,352,129	1,124,532	26%
2011	4,471,028	354,933	8%
2010	3,340,373	851,000	25%

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

YEAR ENDED JUNE 30, 2014

Actuarial Methods:

Valuation date	July 1, 2013
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar amortization over 30 years at last valuation
Remaining amortization period	25 years

Actuarial Assumptions:

Investment rate of return	4.00%
Medical/drug cost trend rate	5.00%
Annual Compensation Increases	3.00%

Plan Membership:

Active members	343
Retirees/Disabled	<u>215</u>
Total	<u><u>558</u></u>

See notes to required supplementary information.

NOTE A - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**A. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting. The Board of Selectmen and Finance Committee present 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 line item, adopts the expenditure budget by majority vote.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote of Town Meeting. The majority of appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year's original budget. Increases or transfers between and within departments subsequent to the approval of the annual budget, requires majority Town Meeting approval via a supplemental appropriation.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2014 approved budget authorized \$33.9 million in appropriations and other amounts to be raised and \$399,000 in encumbrances and appropriations carried over from previous years. During 2014, Town Meeting approved an increase in original appropriations totaling \$591,000.

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

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal 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 for the year ended June 30, 2014, is presented below:

Net change in fund balance - budgetary basis.....	\$	25,196
<u>Perspective difference:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		446,239
<u>Basis of accounting differences:</u>		
Increase in revenues due adjustments for modified accrual basis of accounting.....		(89,647)
Recognition of expenditures due to modified accrual basis.....		120,781
Increase in revenues due to on-behalf payments.....		3,402,905
Increase in expenditures due to on-behalf payments.....		<u>(3,402,905)</u>
Net change in fund balance - GAAP basis.....	\$	<u>502,569</u>

NOTE B – PENSION PLAN

The Town contributes to the Plymouth County Contributory Retirement System (System), a cost-sharing, multiple-employer defined benefit pension plan (Plan) administered by the Plymouth County Retirement Association (Association). The System provides retirement, disability, and death benefits to members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the Plan. Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarially determined contribution which is apportioned among the employers based on active covered payroll.

The schedule of funding progress, presented as required supplementary information, following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Additionally, the schedule of employer contributions, presented as required supplementary information, following the notes to the basic financial statements, presents multiyear trend information for required and actual contributions relating to the cost-sharing plan as a whole, of which the Town is one participating employer, as well as the Town's proportionate share of the plan's annual contributions. This information is designed to be helpful for understanding the scale of the information presented relative to the Town.

The following actuarial methods and assumptions were used in the Retirement System's most recent actuarial valuation:

Actuarial Methods and Assumptions:

Valuation Date.....	January 1, 2013
Actuarial Cost Method.....	Entry Age Normal Cost Method
Amortization Method.....	Increasing at 4.0% per year
Remaining Amortization Period.....	21 years remaining as of January 1, 2013
Asset Valuation Method.....	Assets held by the fund are valued at market value as reported by the Public Employees' Retirement Administration Commission (PERAC). The actuarial value is determined using a 5 year smoothing of asset returns greater than or less than the assumed rate of return, with a 20% corridor.

Actuarial Assumptions:

Investment rate of return.....	8.25%
Projected salary increases.....	4.00%
Cost of living adjustments.....	3.0% of the lesser of the pension amount and \$13,000 per year

Plan Membership:

Retired participants and beneficiaries receiving benefits.....	3,228
Inactive participants.....	2,108
Disabled participants.....	360
Active participants.....	<u>5,729</u>
Total.....	<u><u>11,425</u></u>

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The Town of Carver administers a single-employer defined benefit healthcare plan (Plan). The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the Town's health insurance plan, which covers both active and retired members, including teachers.

The Town currently finances its other post-employment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0%. In accordance with Governmental Accounting Standards, the Town has recorded its OPEB cost equal to the actuarial determined annual required contribution (ARC) which includes the normal cost of providing benefits for the year and a component for the amortization of the total unfunded actuarial accrued liability of the Plan.

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated Plan assets.

Projections of benefits for financial reporting purposes are based on the substantive plan 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 the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Schedule of Actuarial Methods and Assumptions presents factors that significantly affect the identification of trends in the amounts reported.