

**TOWN OF CARVER, MASSACHUSETTS**  
BASIC FINANCIAL STATEMENTS AND  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
WITH INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDING JUNE 30, 2007

**TOWN OF CARVER, MASSACHUSETTS**  
**BASIC FINANCIAL STATEMENTS AND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDING JUNE 30, 2007**

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**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Board of Selectmen  
Town of Carver, Massachusetts

We have audited the accompanying financial statements of the governmental 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, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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 our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Carver, Massachusetts as of June 30, 2007, and the respective changes in financial position thereof and respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May XX, 2008 on our consideration of the Town's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis, on the accompanying pages, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Thevenin, Lynch, Bienvenue, LLP*

May 12, 2008

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

## TOWN OF CARVER, MASSACHUSETTS

### *Management's Discussion and Analysis*

June 30, 2007

As management of the Town of Carver (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2007.

#### **Financial Highlights**

- The assets of the Town exceeded its liabilities as of June 30, 2007, by \$34.3 million (net assets), down from \$35 million at the end of June 30, 2006. Of this amount, \$5.95 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The total cost of all Town services for fiscal year 2007 was \$35.8 million up from \$33.3 million for fiscal year 2006.
- At June 30, 2007, unreserved fund balance for the general fund was over \$1.73 million, or approximately 5.4% of general fund expenditures.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) budgetary statements, and 4) notes to financial statements.

**Government-Wide Financial Statements:** The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, education, public works, health and human services, culture and recreation, and general administrative services. The Town does not have any activities classified as business type.

## TOWN OF CARVER, MASSACHUSETTS

### *Management's Discussion and Analysis*

June 30, 2007

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

**Governmental funds:** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, Stabilization fund, and Cole Property and Water Supply fund, which are considered major funds. The remaining funds are combined into aggregate funds in this presentation. Individual fund data for each of these non-major governmental funds is available from the Town Accountant's office.

The Town adopts an annual appropriated budget for its General fund and for the following special revenue funds: Community Preservation Act (CPA) and Water funds. Since the CPA and Water funds are not reported as major funds, a budgetary display is not required. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found in the accompanying pages of this report.

**Fiduciary funds:** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's programs.

The basic fiduciary fund financial statements can be found in the accompanying pages of this report.

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements described above.

# TOWN OF CARVER, MASSACHUSETTS

## Management's Discussion and Analysis

June 30, 2007

### Government-Wide Financial Analysis

As noted earlier, net assets 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 \$34.4 million at the close of the most recent fiscal year.

	<b>Primary Government/ Governmental Activities/Totals</b>	
	<b><u>2007</u></b>	<b><u>2006</u></b>
Current assets	\$ 12,697,200	\$ 12,216,668
Capital assets	<u>34,433,199</u>	<u>32,792,461</u>
Total assets	<u>\$ 47,130,399</u>	<u>\$ 45,009,129</u>
Current liabilities	\$ 6,552,883	\$ 2,257,872
Long term liabilities	<u>6,257,235</u>	<u>7,724,692</u>
Total liabilities	12,810,118	9,982,564
Net assets:		
Invested in capital, net of related debt	25,895,266	26,411,452
Restricted	2,469,620	1,870,815
Unrestricted	<u>5,955,395</u>	<u>6,744,298</u>
Total net assets	<u>\$ 34,320,281</u>	<u>\$ 35,026,565</u>

Included within the governmental activity current assets, unrelated to capital assets, are \$1.6 million future year school construction reimbursement grants; and \$1.2 million in tax liens, deferrals, and foreclosures receivable.

Governmental activity long term liabilities include \$4.0 million in general obligation bonds payable, the balance of bonds payable is classified as current because it is due within fiscal year 2008; \$1.4 million for post-closure monitoring costs of the South Carver landfill; and \$437,099 in compensated absences liabilities for unused vacation and sick leave.

The largest portion of the Town's net assets (75.5%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets (7.2%) represents resources that are subject to restrictions placed on how they may be used. The remaining balance of unrestricted net assets (\$5.95 million) or (17.3%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all categories of net assets.

**TOWN OF CARVER, MASSACHUSETTS**

*Management's Discussion and Analysis*

June 30, 2007

**Governmental activities:** Governmental activities decreased the Town's net assets by \$706,284 during fiscal year 2007. A summary of revenues and major functional expenditures is presented below:

		<u>% of Total</u> <u>Revenue</u>		<u>% of Total</u> <u>Revenue</u>	<u>%</u> <u>Change</u>
Program revenues:					
Charges for services	\$ 1,858,546	5.30%	\$ 1,666,817	5.12%	11.50 %
Operating grants and contributions	13,875,635	39.56%	13,387,544	41.13%	3.65 %
Capital grants and contributions	65,790	0.19%	-	-	100.00 %
General revenues:					
Property taxes, net of allowances	15,515,882	44.24%	14,338,469	44.05%	8.21 %
Excise taxes	1,265,551	3.91%	1,405,889	4.32%	(9.98)%
Penalties and interest	106,480	0.00%	98,767	0.30%	7.81 %
Grant and contributions not restricted	2,204,411	6.28%	1,540,113	4.73%	43.13 %
Investment income	226,420	0.65%	111,150	0.34%	103.71 %
Transfer to agency fund	<u>(43,729)</u>	(0.12)%	<u>-</u>	-	(100.00)%
Total revenues	35,074,986	100.00%	32,548,749	100.00%	7.76 %
		<u>% of Total</u>		<u>% of Total</u>	<u>%</u>
	<u>2007</u>	<u>Expenses</u>	<u>2006</u>	<u>Expenses</u>	<u>Change</u>
Expenses:					
General government	3,728,103	10.42%	3,417,692	10.27%	9.08 %
Public safety	3,232,518	9.03%	3,338,028	10.03%	(3.16)%
Education	25,319,314	70.76%	23,599,963	70.89%	7.29 %
Public works	1,778,319	4.97%	1,184,186	3.56%	50.17 %
Health and human services	527,510	1.47%	527,850	1.59%	(0.06)%
Culture and recreation	509,624	1.42%	549,093	1.65%	(7.19)%
Interest on long-term debt	389,113	1.09%	366,657	1.10%	6.12 %
State and county charges	<u>296,769</u>	0.83%	<u>306,936</u>	0.92%	(3.31)%
Total Expenses	<u>35,781,270</u>	100.00%	<u>33,290,405</u>	100.00%	7.48 %
Decrease in net assets	(706,284)		(741,656)		
Net assets - beginning of year	<u>35,026,565</u>		<u>35,768,221</u>		
Net assets - end of year	<u>\$ 34,320,281</u>		<u>\$ 35,026,565</u>		

Key elements of this decrease are as follows:

Revenues:

- ◆ Property taxes represent nearly 44% of the Town's revenue. Property tax growth represents a combination of a 2.5% annual increase, allowed in the levy under Proposition 2 1/2, and new growth. Total Property taxes levied for fiscal year 2007 were within .5% of the maximum allowable levy.
- ◆ Operating grants and contributions make up the second largest revenue representing 39.56% of the Town's revenue. Included in this amount are intergovernmental revenues from the Commonwealth of Massachusetts. This revenue source increased by \$488,091 or 3.65% from the prior fiscal year.

## TOWN OF CARVER, MASSACHUSETTS

### *Management's Discussion and Analysis*

June 30, 2007

#### Expenses:

- ◆ Increases in employee wages averaged between approximately 2% to 4%, resulting from negotiated step and general wage increases. Actual wages paid during fiscal year 2007 turned out to be an increase of 4.6% in part by the addition of some new positions.
- ◆ Employee benefit costs rose by 16.3% in fiscal year 2007. These increases are due to rising health insurance and retirement costs.
- ◆ The cost of education services increased 3.7% when compared with the prior fiscal year.

#### **Financial Analysis of the Government's 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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2.42 million, down from \$5.88 million at the end of the prior fiscal year. Approximately 99.5% of this total amount (\$2.3 million) constitutes unreserved fund balance, which is available for spending at the government's discretion or as provided for in the terms and conditions of several applicable grant or custodial agreements or for capital projects. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period (\$115,600).

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1.73 million, while total fund balance reached nearly \$1.85 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 5.4% of total general fund expenditures, while total fund balance represents 5.8% of that same amount.

It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. During 2002 the Government Finance Officers Association (GFOA) issued a recommendation that at a minimum, general purpose governments, regardless of size maintain unreserved fund balance in their general fund of no less than five to fifteen percent of regular general fund operating revenues, or no less than one to two months of regular general fund operating expenditures. The Town's general fund unreserved fund balance of \$1.73 million (5.6%) is within the recommended level.

During the current fiscal year, the total General fund balance of the town decreased by \$79,747 or 4.1%.

**TOWN OF CARVER, MASSACHUSETTS**

*Management's Discussion and Analysis*

June 30, 2007

**General Fund Budgetary Highlights**

The difference between the original budget of \$30.77 million and the final amended budget of \$30.83 million can be briefly summarized as follows:

- \$178,290 is added to the original budget for appropriations authorized at a Special Town Meeting.
- \$115,600 is subtracted from the original budget representing encumbrances carried over to the subsequent year budget.

**Capital Asset and Debt Administration**

**Capital assets** - The Town's investment in capital assets for governmental activities as of June 30, 2007, amounts to \$34.4 million, net of accumulated depreciation of \$34.0 million. The investment in capital assets includes land; buildings; improvements; machinery and equipment and infrastructure. The table below represents a summary of the Town's capital assets, net of accumulated depreciation by category (in millions):

	<b><u>Governmental Activities</u></b>	
	<b><u>2007</u></b>	<b><u>2006</u></b>
Land	\$ 5.7	\$ 2.9
Buildings and related improvements	23.9	25.0
Improvements other than buildings	0.5	0.5
Equipment, machinery & vehicles	1.6	1.5
Infrastructure	<u>2.7</u>	<u>2.9</u>
	<b><u>\$ 34.4</u></b>	<b><u>\$ 32.8</u></b>

The Town's capital asset additions during fiscal year 2007 consisted, primarily, of land in addition to new vehicles and purchased equipment.

**Long-term debt** - At the end of the current fiscal year, the Town had total bonded debt outstanding of \$4.5 million compared to \$5.6 million, last year. All debt is a general obligation of the Town.

The Town maintains an "A3" rating from Moody's Investors Service.

**Economic Factors and Next Year's Budgets and Rates**

- ◆ The Town has increased its property tax levy by 1.17% which includes new growth. This is a drop from the 5.2% increase of the prior year due to the final payment made for debt service on the High School.
- ◆ The Town's operating budget increased 2.54% over the FY 07 budget. Salary increases averaging between 2% to 4% through collective bargaining agreements and double digit increases in health insurance premiums are the presiding factors in the increased budget.
- ◆ The Town has issued refunding debt to take advantage of lower interest rates. The Library and Town Hall renovation bonds have been refinanced, providing the Town with approximately \$156,000 in savings over the remaining life of the bonds.

**TOWN OF CARVER, MASSACHUSETTS**

*Management's Discussion and Analysis*

June 30, 2007

**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 of Carver, Attn: Town Accountant, 108 Main Street, Carver, MA 02330.

**BASIC FINANCIAL STATEMENTS**

**TOWN OF CARVER, MASSACHUSETTS**

Statement of Net Assets

June 30, 2007

	<b>Primary Government Governmental Activities/Totals</b>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 5,446,828
Investments	2,382,837
Receivables, net of allowance for uncollectibles	4,681,082
Interfund receivable	147,135
Prepaid expenses	39,318
Capital assets, net of accumulated depreciation	<u>34,433,199</u>
Total assets	<u>\$ 47,130,399</u>
<b><u>LIABILITIES</u></b>	
Accounts payable and accrued expenses	\$ 1,164,108
Amounts withheld from employees	162,752
Accrued interest payable	25,513
Provision for refund of paid taxes	502,465
Agency and other payables	180,248
Notes payable	3,860,049
Noncurrent liabilities	
Due within one year	657,748
Due in more than one year	<u>6,257,235</u>
Total liabilities	12,810,118
<b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	25,895,266
Restricted	2,469,620
Unrestricted	<u>5,955,395</u>
Total net assets	<u>34,320,281</u>
Total liabilities and net assets	<u>\$ 47,130,399</u>

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

**TOWN OF CARVER, MASSACHUSETTS**  
Statement of Activities  
For the Year Ended June 30, 2007

Functions/Programs Primary government	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental activities				
General government	\$ 3,728,103	\$ 161,826	\$ 339,481	\$ (3,226,796)
Public safety	3,232,518	668,525	252,918	(2,311,075)
Education	25,319,314	589,467	11,256,089	(13,473,758)
Public works	1,778,319	291,791	435,974	(984,764)
Health and human services	527,510	125,825	85,234	(316,451)
Culture and recreation	509,624	21,112	27,457	(461,055)
Interest on long-term debt	389,113	1,478,482	-	1,089,369
State and county charges	296,769	-	-	(296,769)
Total governmental activities/ primary government	\$ 35,781,270	\$ 1,858,546	\$ 13,875,635	\$ (19,981,299)
General revenues				
Property taxes and payments in lieu, net of allowance for uncollectibles				15,515,882
Excise taxes				1,265,551
Penalties and interest on taxes				106,480
Grants and contributions not restricted to specific programs				2,204,411
Investment income				226,420
Transfer to agency fund				(43,729)
Total general revenues, special items and transfers				19,275,015
Change in net assets				(706,284)
Net assets - beginning of year				35,026,565
Net assets - end of year				\$ 34,320,281

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

**TOWN OF CARVER, MASSACHUSETTS**

Balance Sheet - Governmental Funds

June 30, 2007

	<u>General Fund</u>	<u>Stabilization Fund</u>	<u>Cole Property &amp; Water Supply Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 3,267,703	\$ -	\$ 409,114	\$ 1,770,011	\$ 5,446,828
Investments	-	1,523,789		859,048	2,382,837
Receivables	3,927,651			915,664	4,843,315
Interfund receivable	152,433				152,433
Prepaid assets	39,318	-	-	-	39,318
Total assets	<u>\$ 7,387,105</u>	<u>\$ 1,523,789</u>	<u>\$ 409,114</u>	<u>\$ 3,544,723</u>	<u>\$ 12,864,731</u>

<b><u>LIABILITIES</u></b>					
Accounts payable and accrued payroll	\$ 1,023,009	\$ -	\$ 61,767	\$ 79,332	\$ 1,164,108
Amounts withheld from employees	162,752				162,752
Notes payable	-		3,500,000	360,049	3,860,049
Provision for refund of paid taxes	502,465				502,465
Deferred revenue	3,672,758			895,077	4,567,835
Agency and other payables	180,247	-	-	5,298	185,545
Total liabilities	<u>5,541,231</u>	<u>-</u>	<u>3,561,767</u>	<u>1,339,756</u>	<u>10,442,754</u>

<b><u>FUND BALANCES</u></b>					
Reserved for					
Encumbrances and continued appropriations	115,600				115,600
Unreserved					
General Fund	1,730,274				1,730,274
Special Revenue Funds		1,523,789		2,172,958	3,696,747
Capital Projects Funds			(3,152,653)	(234,309)	(3,386,962)
Permanent Fund	-	-	-	266,318	266,318
Total fund balances	<u>1,845,874</u>	<u>1,523,789</u>	<u>(3,152,653)</u>	<u>2,204,967</u>	<u>2,421,977</u>
Total liabilities and fund balances	<u>\$ 7,387,105</u>	<u>\$ 1,523,789</u>	<u>\$ 409,114</u>	<u>\$ 3,544,723</u>	<u>\$ 12,864,731</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances of governmental funds	\$ 2,421,977
Capital assets used in governmental activities are not financial resources and not reported in funds.	34,433,199
Other long-term assets are not available to pay for current-period expenditures and are deferred in funds.	4,567,835
Reporting of assets on a full accrual basis requires an estimate for uncollectable accounts.	(165,164)
Long-term liabilities are not due and payable in the current period and are not included in funds.	(6,914,983)
Reporting of liabilities on full accrual basis requires associated interest, net of subsidies, be accrued.	<u>(22,583)</u>
Net assets of governmental activities	<u>\$ 34,320,281</u>

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

**TOWN OF CARVER, MASSACHUSETTS**  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2007

	<u>General</u>	<u>Stabilization Fund</u>	<u>Cole Property &amp; Water Supply Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Property taxes and payments in lieu	\$ 15,108,736	\$ -	\$ -	\$ 314,602	\$ 15,423,338
Excise taxes	1,239,168				1,239,168
Licenses and permits	158,707				158,707
Penalties and interest	106,480				106,480
Investment income	127,834	81,080		17,506	226,420
Charges for services	364,916			1,288,043	1,652,959
Fines and fees	34,182				34,182
Contributions	-			144,783	144,783
Departmental and other	35,057			146,070	181,127
Intergovernmental	13,739,611	-	65,790	1,844,477	15,649,878
Total revenues	<u>30,914,691</u>	<u>81,080</u>	<u>65,790</u>	<u>3,755,481</u>	<u>34,817,042</u>
<b>Expenditures</b>					
Current:					
General government	2,206,147			112,736	2,318,883
Public safety	2,745,121			194,206	2,939,327
Education	22,232,674			1,975,622	24,208,296
Public works	997,567		3,218,443	583,823	4,799,833
Human services	404,021			119,463	523,484
Culture and recreation	358,541			38,395	396,936
Employee benefits	1,316,509				1,316,509
State and county assessments	296,769				296,769
Debt service	<u>1,427,454</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,427,454</u>
Total expenditures	<u>31,984,803</u>	<u>-</u>	<u>3,218,443</u>	<u>3,024,245</u>	<u>38,227,491</u>
Revenues over (under) expenditures	(1,070,112)	81,080	(3,152,653)	731,236	(3,410,449)
<b>Other financing sources (uses)</b>					
Transfers in from other funds	1,193,372		-	-	1,193,372
Transfers out to other funds	<u>(203,007)</u>	<u>(762,644)</u>	<u>-</u>	<u>(271,450)</u>	<u>(1,237,101)</u>
Total other financing sources (uses)	<u>990,365</u>	<u>(762,644)</u>	<u>-</u>	<u>(271,450)</u>	<u>(43,729)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(79,747)	(681,564)	(3,152,653)	459,786	(3,454,178)
Fund balance, beginning of year	<u>1,925,621</u>	<u>2,205,353</u>	<u>-</u>	<u>1,745,181</u>	<u>5,876,155</u>
Fund balance, end of year	<u>\$ 1,845,874</u>	<u>\$ 1,523,789</u>	<u>\$ (3,152,653)</u>	<u>\$ 2,204,967</u>	<u>\$ 2,421,977</u>

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

**TOWN OF CARVER, MASSACHUSETTS**

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds  
to Statement of Activities

For the Fiscal Year Ended June 30, 2007

Revenues and other financing sources over (under)	
expenditures and other financing uses	\$ (3,454,178)
<p>Governmental funds report capital outlays as expenditures, however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the Statement of Activities.</p>	
Capital outlays during the fiscal year	3,396,716
Depreciation recorded for the fiscal year	(1,755,978)
<p>Revenues are recognized on the modified accrual basis of accounting in the fund financial statements, but are recognized on the accrual basis of accounting in the government-wide financial statements.</p>	
Net change in deferred revenue	343,685
Net change in allowance for uncollectible accounts	(41,634)
<p>The issuance and repayment of long-term debt are recorded as other financing sources or uses in the fund financial statements, but have no effect on net assets in the government-wide financial statements. Also, governmental funds report issuance costs, premiums, discounts and similar items as expenditures when paid, whereas these amounts are deferred and amortized on a government-wide basis.</p>	
Principal payments on long-term debt	1,042,567
Long term lease additions	(312,963)
Principal payments on leases payable	104,194
<p>The fund financial statements record interest on long-term debt when due and revenue from related subsidies when received. The government-wide financial statements report interest on long-term debt and revenue on subsidies when incurred.</p>	
Net change in accrued interest expense	(4,226)
Net change in accrued revenue on subsidies	(378)
<p>Certain liabilities are not funded through the use of current financial resources and, therefore, are not reported in the fund financial statements, however, these liabilities are reported in the government-wide financial statements. The net change in these liabilities is reflected as an expense in the Statement of Activities. Changes in liabilities are as follows:</p>	
Landfill Closure Liability	50,000
Compensated absences	<u>(74,089)</u>
Change in net assets of governmental activities	<u>\$ (706,284)</u>

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

**TOWN OF CARVER, MASSACHUSETTS**  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis  
General Fund - Budget and Actual  
For the Fiscal Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Property taxes	\$ 15,112,798	\$ 15,112,798	\$ 15,049,567	\$ (63,231)
Payments in lieu of taxes	20,000	20,000	23,807	3,807
Excise taxes	1,115,000	1,115,000	1,239,168	124,168
Licenses and permits	125,000	125,000	158,707	33,707
Penalties and interest	75,000	75,000	106,480	31,480
Investment interest	40,000	40,000	127,834	87,834
Charges for services	375,000	375,000	364,916	(10,084)
Fines and fees	25,000	25,000	34,182	9,182
Departmental and other	-	-	35,057	35,057
Intergovernmental	12,059,876	12,059,876	12,163,495	103,619
Total revenues	<u>28,947,674</u>	<u>28,947,674</u>	29,303,213	355,539
<b>Expenditures</b>				
General government	3,639,360	3,635,548	3,428,354	207,194
Public safety	2,886,216	2,934,631	2,743,971	190,660
Education	20,725,290	20,698,273	20,656,558	41,715
Public works	983,225	1,022,569	969,140	53,429
Human services	404,960	409,361	404,021	5,340
Culture and recreation	383,938	385,297	358,541	26,756
State and county assessments	323,566	323,566	296,769	26,797
Debt service	1,438,282	1,438,282	1,427,454	10,828
Total expenditures	<u>30,784,837</u>	<u>30,847,527</u>	<u>30,284,808</u>	<u>562,719</u>
Revenues over (under) expenditures	(1,837,163)	(1,899,853)	(981,595)	918,258
<b>Other financing sources (uses)</b>				
Transfers in from other funds	1,215,888	1,254,146	1,193,372	(60,774)
Transfers out to other funds	(203,007)	(203,007)	(203,007)	-
Total other financing sources (uses)	<u>1,012,881</u>	<u>1,051,139</u>	<u>990,365</u>	<u>(60,774)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(824,282)	(848,714)	8,770	<u>\$ 857,484</u>
Fund balance, beginning of year			<u>2,442,718</u>	
Fund balance, end of year			<u>\$ 2,451,488</u>	
<b>Other budget items</b>				
Free cash appropriations	619,041	759,073		
Overlay surplus appropriations	120,000	120,000		
Prior year deficits	(110,866)	(110,866)		
Carryover encumbrances	196,107	80,507		
Total other budget items	<u>824,282</u>	<u>848,714</u>		
Net budget	<u>\$ -</u>	<u>\$ -</u>		

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

**TOWN OF CARVER, MASSACHUSETTS**

Statement of Net Assets - Fiduciary Funds

June 30, 2007

	<b><u>Private Purpose</u></b>	<b><u>Agency</u></b>
	<b><u>Trust Funds</u></b>	<b><u>Accounts</u></b>
<b><u>ASSETS</u></b>		
Cash	\$ -	\$ 9,161
Investments	20,568	-
Accounts receivable	-	156,296
Total assets	<u>\$ 20,568</u>	<u>\$ 156,296</u>
<b><u>LIABILITIES</u></b>		
Accounts payable and other current liabilities	\$ -	\$ 9,161
Interfund payable	-	147,135
Total liabilities	-	156,296
<b><u>NET ASSETS</u></b>		
Held in trust	20,568	-
Total liabilities and net assets	<u>\$ 20,568</u>	<u>\$ 156,296</u>

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

**TOWN OF CARVER, MASSACHUSETTS**  
Statement of Changes in Net Assets - Fiduciary Funds  
For the Fiscal Year Ended June 30, 2007

	<b>Private Purpose Trust Funds</b>
<b>Additions</b>	
Interest and dividends	\$ <u>        638</u>
Total additions	<u>                638</u>
Change in net assets	638
Net assets at beginning of year	<u>19,930</u>
Net assets at end of year	<u><u>\$ 20,568</u></u>

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

**NOTES TO FINANCIAL STATEMENTS**

**TOWN OF CARVER, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2007

**Note 1. Organization and Reporting Entity**

**A. Organization**

The Town of Carver, Massachusetts (the "Town"), was incorporated in 1790. The Town operates under a Town Meeting form of government. The Town's major operations include police and fire protection, parks, library and recreation, public works, K-12 education and general administrative services. In addition, the Town owns and operates a water system and transfer station.

**B. Reporting Entity**

*General*

The accompanying financial statements present the Town of Carver, Massachusetts (the primary government) and its component units. Component units are included in the reporting entity if their operational and financial relationships with the Town are significant. Pursuant to these criteria, the Town did not identify any component units requiring inclusion in the accompanying financial statements.

*Joint Ventures*

The Town has entered into joint ventures with other municipalities to pool resources and share the costs, risks, and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specific recipients. The following is a list of the Town's joint ventures, their purpose, and the annual assessment paid by the Town in 2007. Financial statements may be obtained from each joint venture by contacting them directly. The District does not have an equity interest in any joint venture.

<b><u>Joint venture and address</u></b>	<b><u>Purpose</u></b>	<b><u>FY 2007 Assessment</u></b>
Carver, Marion, Wareham Regional Refuse Disposal District 2 Spring Street, Marion, MA	To provide refuse disposal facilities	\$ 2,517
Gateway Health Group Carver Town Hall Carver, MA	Employee and retiree health insurance	3,749,346
Old Colony Regional Vocational Technical High School 476 North Avenue, Rochester, MA	To provide vocational education	544,830
Massachusetts Bay Transit Authority 45 High Street, Boston, MA	Regional transportation services	47,158
Greater Attleboro/Taunton Regional Transit Authority 7 Mill Street, Attleboro, MA	Regional transportation services	50,000
Southeastern Regional Planning and Economic Development District 88 Broadway, Taunton, MA	Regional planning agency	1,803

# TOWN OF CARVER, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2007

### Related Organizations

The Carver Housing Authority is a public body, politic and corporate organized and existing under Massachusetts General Laws, Chapter 121B and thus, the Town has no accountability for this organization. The Board of Commissioners, four who are elected and the fifth appointed by the Commonwealth are legally responsible for the overall operation.

### **Note 2. Summary of Significant Accounting Policies**

#### **A. Basis of Presentation**

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town is discussed below.

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's police and fire protection, parks, library and recreation, public works, including water activity, schools, and general administrative services are classified as governmental activities. The Town does not have any activities classified as business-type activities.

#### Government-wide Statements

In the government-wide Statement of Net Assets, governmental columns are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions. Gross expenses (including depreciation) are reduced on the Statement of Activities by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs by function are normally covered by general revenue.

Certain costs, such as property and liability insurance, among others are not allocated among the Town's functions and are included in general government expenses in the Statement of Activities. Employee fringe benefit costs are reported in a separate "Employee Benefits" function. Neither of these costs are allocated among the respective functions.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

## TOWN OF CARVER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2007

### Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following governmental fund types are used by the Town - the Town does not use proprietary funds:

#### Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

- General fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund and is always reported as a major fund.
- Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Town's stabilization fund is considered a major fund in fiscal year 2007, and financial position and results are displayed separately.
- Debt service funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt. Currently, the Town does not utilize a debt service fund.
- Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and capital outlays financed from bond proceeds (other than those financed by business-type/proprietary funds). The Town's Cole Property and Water Supply fund is considered a major fund in fiscal year 2007, and financial position and results are displayed separately.
- Permanent funds are used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

#### Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds. The following is a description of the fiduciary funds of the Town:

- Private purpose trust funds account for resources legally held in trust for the benefit of persons and organizations other than the Town. Since these funds cannot be used for providing Town services, they are excluded from the Town's government-wide financial statements.

## TOWN OF CARVER, MASSACHUSETTS

### Notes to Financial Statements

June 30, 2007

- Agency funds are used to hold funds on behalf of parties other than the Town, including federal and state agencies and public school student activities. Agency funds are custodial in nature and do not involve measurement of results of operations.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Town may electively add funds, as major funds, which have specific community focus. The nonmajor funds are combined in a column in the fund financial statements.

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

### **B. Measurement Focus and Basis of Accounting**

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

Governmental fund financial statements are reported using the 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 accrued 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 property tax revenues are considered available if they are collected within 60 days after fiscal 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.

### **C. Cash and Investments**

For the purpose of the Statement of Net Assets, "cash and cash equivalents" include all demand, savings accounts, and certificates of deposits of the Town.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in the notes.

**TOWN OF CARVER, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2007

**D. Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

**E. Receivables**

Receivables consist of all revenues earned at year-end and not yet received, net of an allowance for uncollectible amounts. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The Town classifies outstanding personal property taxes and motor vehicle and boat excise three years or more years old as uncollectible for financial reporting purposes. The Town estimates 3% of outstanding water charges and 25% of ambulance charges to be uncollectible. Outstanding real estate taxes are secured by tax liens, and therefore considered to be fully collectable.

**F. Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) depends on whether they are reported in the government-wide or fund financial statements.

*Government-wide Statements*

All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 2002.

Prior to July 1, 2002, governmental funds’ infrastructure assets were not capitalized. These assets (back to July 1, 1980) have been valued at estimated historical cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

➤ Buildings	25-50 years
➤ Improvements	10-50 years
➤ Machinery and Equipment	3-20 years
➤ Utility System	25-50 years
➤ Infrastructure	25-50 years

*Fund Financial Statements*

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

## TOWN OF CARVER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2007

### **G. Long-term Obligations**

The accounting treatment of long-term obligations depends on whether they are reported in the government-wide or fund financial statements.

All long-term obligations to be repaid from governmental resources are reported as liabilities in the government-wide statements. Long-term obligations consist primarily of notes and bonds payable, accrued compensated absences, and post closure monitoring costs for municipal landfills.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. Debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

### **H. Compensated Absences**

The Town's policies and provisions of bargaining unit contracts regarding vacation and sick time permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term obligations in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

### **I. Equity Classifications**

#### *Government-wide Statements*

Equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

#### *Fund Financial Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Permanent fund balances are classified as reserved and are further classified between expendable and non-expendable portions.

## TOWN OF CARVER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2007

### **J. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results will differ from those estimates.

### **K. Total Columns**

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

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

### **Note 3. Stewardship, Compliance and Accountability**

#### **A. Property tax calendar and limitations**

Real and personal property taxes are based on values assessed as of each January 1 and are normally due on the subsequent November 1 and May 1. By law, all taxable property in the Commonwealth must be assessed at 100% of fair cash value. Taxes due and unpaid after the respective due dates are subject to lien, interest and penalties. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables in the fiscal year of the levy.

A statewide property tax limitation statute known as "Proposition 2 ½" limits the property tax levy to an amount equal to 2 ½ % of the value of all taxable property in the Town. A secondary limitation is that no levy in a fiscal year may exceed the preceding year's allowable tax levy by more than 2 ½ %, plus taxes levied on certain property newly added to the tax rolls ("new growth"). Certain Proposition 2 ½ taxing limitations can be overridden by a town-wide referendum vote.

#### **B. Budgetary basis of accounting**

The Town must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2 ½ and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all non-property tax revenue and transfers projected to be received by the Town, including available surplus funds.

The budgets for all departments and operations of the Town, except that of the public schools, are prepared under the direction of the Board of Selectmen. The School Department budget is prepared under the direction of the School Committee. Original and supplemental appropriations are acted upon by vote of Town Meeting. All general fund and enterprise fund functions are budgeted; the town does not have legally adopted annual budgets for its special revenue funds, except for the Community Preservation Act (CPA) and Water funds. Since the CPA and Water funds are not reported as major funds, a budgetary display is not required. Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth or other grantor agencies.

**TOWN OF CARVER, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2007

Budgets are prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). The “actual” results column on the Statement of Revenues, Expenditures and Changes in Fund Balance – Budgetary Basis, are presented on a “budget basis” to provide a meaningful comparison with the budget. The major differences between the budget and GAAP basis is all budgeted revenues are recorded when cash is received, except for real estate and personal property taxes, which are recorded as revenues when levied (budget) as opposed to when susceptible to accrual (GAAP). A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2007, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses), Net</u>
As reported on a budgetary basis	\$ 29,303,213	\$ 30,284,808	\$ 990,365
Timing difference in recognition of expenditures		123,879	
Adjustment of property tax revenues to modified accrual basis	35,362		
State funded teacher’s pension	<u>1,576,116</u>	<u>1,576,116</u>	-
As reported on a GAAP basis	<u>\$ 30,914,691</u>	<u>\$ 31,984,803</u>	<u>\$ 990,365</u>

**C. Fund equities**

Operations of the various Town funds for the year were funded in accordance with the General Laws of Massachusetts. The Town classifies fund equity in the fund financial statements as either reserved or unreserved fund balance. Unreserved fund balance is further broken down between designated and undesignated.

Fund balance reserved for encumbrances and continued appropriations consists of the budgeted amounts carried over to the next fiscal year for operating costs committed at June 30 and the balance of appropriations for capital expenditures and longer term projects which are continued until completion of the authorized project. Encumbrances outstanding at year-end are reported as a reservation of fund balance and do not constitute expenditures or liabilities.

Fund balance designated for expenditure consists of available funds (free cash) and other available funds from unreserved fund equity appropriated by Town Meeting action to be used in funding next year’s operations.

Deficit fund equity consists of the excess of expenditures over appropriations, in the General Fund. Bond Anticipation Note proceeds are not permanent funding and therefore do not represent a funding source for capital projects. Capital Project Fund deficits will occur and will be funded in future years through the issuance of long-term debt.

At June 30, 2007 the Town had the following general fund equities in the fund financial statements:

Reserved for encumbrances and continued appropriations	\$ 115,600
Unreserved:	
Undesignated	1,123,824
Designated for expenditure	567,132
Designated for prepaid items	<u>39,318</u>
Total unreserved	<u>1,730,274</u>
Total General Fund Equities	<u>\$ 1,845,874</u>

# TOWN OF CARVER, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2007

All other governmental fund balances are reported on the fund basis Balance Sheet as Unreserved Fund Balance, reported in their respective fund types.

### **D. Restricted net assets**

Certain net assets reported as special revenue funds in the Town's fund basis Balance Sheet including the Town's Stabilization Fund and receipts reserved for appropriation from proceeds of sale of real estate and insurance reimbursements are classified as unrestricted net assets because they are available for appropriation to fund the general operations of the Town.

Restricted net assets on the government-wide statement of net assets consist of the following:

Capital Project Fund Balances	\$ 81,966
Special Revenue Fund Balances:	
Community Preservation Act	658,603
Conservation	221,889
BOH Tech Review	125,689
Other special revenue funds	1,115,155
Permanent Funds:	
Expendable	102,454
Non-expendable	<u>163,864</u>
Total restricted net assets	<u>\$ 2,469,620</u>

### **Note 4. Cash and Investments**

Massachusetts General Laws, Chapter 44, Section 54 and 55, place certain limitations on cash deposits and investments available to the Town. Authorized deposits include demand deposits, term deposits, and certificates of deposit in trust companies, national banks, savings banks, and certain other financial institutions. Deposits may not exceed certain levels without collateralization of the excess by the financial institution involved. The Town may also invest in securities issued by or unconditionally guaranteed by the U.S. Government or an agency thereof, and having a maturity from date of purchase of one year or less. The Town may also invest in repurchase agreements guaranteed by such government securities with maturity dates of not more than ninety days from date of purchase. The Town may invest in units of the Massachusetts Municipal Depository Trust (MMDT), an external investment pool managed by the Treasurer of the Commonwealth of Massachusetts. Cash deposits are reported at carrying amount, which reasonably approximates fair value.

The Town maintains deposits in authorized financial institutions. In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town does not have a formal deposit policy for custodial credit risk. At June 30, 2007 deposits totaled \$5,848,967 and had a carrying amount of \$5,455,989. Of the deposit amounts, \$4,617,030 was exposed to custodial credit risk at June 30, 2007 because it was uninsured and uncollateralized. The difference between deposit amounts and carrying amounts generally represents outstanding checks and deposits in transit.

*Custodial credit risk* for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have an investment policy covering custodial credit risk.

**TOWN OF CARVER, MASSACHUSETTS**

Notes to Financial Statements

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*Interest rate risk* is the risk that changes in market interest rates that will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair market value to changes in market interest rates. The Town does not have an investment policy regarding interest rate risk. The approximate maturities of the Town's debt investments are disclosed in the following table:

<u>Investment Type</u>	<u>Fair Market Value</u>	<u>Maturity</u>			<u>Thereafter</u>
		<u>12 months or less</u>	<u>13 – 24 months</u>	<u>25 – 60 months</u>	
Federal agency securities	\$ 900,278	\$ 239,257	\$ 99,109	\$ 355,337	\$ 206,575
Money market funds	988,177	988,177			
Corporate bonds	24,950				24,950
Repurchase agreements	<u>490,000</u>	<u>490,000</u>	-	-	-
	<u>\$ 2,403,405</u>	<u>\$ 1,717,434</u>	<u>\$ 99,109</u>	<u>\$ 355,337</u>	<u>\$ 231,525</u>

*Credit risk* is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of the U.S. Government and certain of its agencies are not considered to have credit risk and therefore no rating is disclosed in the following table. Equity securities, money market funds, repurchase agreements and equity mutual funds are not rated as to credit risk. The Town does not have an investment policy, which would limit its investment choices. The following table discloses the approximate amount of debt investments in each rating classification using Standard & Poor's rating classifications:

<u>Investment Type</u>	<u>Fair Market Value</u>	<u>S &amp; P Ratings as of Year End</u>		
		<u>AAA</u>	<u>A</u>	<u>Not Rated</u>
Federal agency securities	\$ 900,278	\$ 900,278	\$ -	\$ -
Money market funds	988,177			988,177
Corporate bonds	24,950		24,950	
Repurchase agreements	<u>490,000</u>	-	-	<u>490,000</u>
	<u>\$ 2,403,405</u>	<u>\$ 900,278</u>	<u>\$ 24,950</u>	<u>\$1,478,177</u>

*Concentration of credit risk* – The Town does not have an investment policy, which limits the amount that can be invested in any one issuer or security. Excluding U.S. federal agency securities, and external investment pools, there are no securities or issuers, which represent more than 5% of the total investments of the general fund/governmental activities and fiduciary funds respectively.

**Note 5. Receivables**

The Town reports the aggregate amount of receivables in the accompanying Statement of Net Assets and Balance Sheet. In addition, governmental funds report, on the Balance Sheet, deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Unearned revenues, if any, are also reported on the Statement of Net Assets.

**TOWN OF CARVER, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2007

The Town includes the following receivables for individual major and non-major governmental funds, and fiduciary funds in the aggregate, including applicable allowances for uncollectible amounts and amounts deferred and unearned:

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>	<u>Deferred Revenue</u>
Real estate and personal property taxes	\$ 751,863	\$ 11,746	\$ 740,117	\$ 499,595
Tax liens, deferrals and foreclosures	1,249,247		1,249,247	1,249,247
Motor vehicle and other excise	256,782	37,214	219,568	256,782
Ambulance charges	433,408	108,352	325,056	433,408
Charges for service – water	30,813	930	29,883	30,813
Septic betterments and loans	51,442		51,442	51,442
Wages due back to town	2,625		2,625	
Intergovernmental:				
Veterans assistance	69,220	6,922	62,298	69,220
Community preservation act	326,142		326,142	326,142
Commonwealth highway awards	29,072		29,072	29,072
FEMA	17,156		17,156	660
School Building Assistance	1,568,652		1,568,652	1,568,652
Tipping fees	47,121		47,121	47,121
GATRA	<u>9,772</u>		<u>9,772</u>	<u>5,681</u>
Totals on a governmental fund basis	4,843,315			<u>\$ 4,567,835</u>
Accrued debt service subsidies	<u>2,931</u>	<u>-</u>	<u>2,931</u>	
Totals on entity wide basis	<u>\$ 4,846,246</u>	<u>\$ 165,164</u>	<u>\$ 4,681,082</u>	

**Note 6. Capital Assets**

Capital asset activity for the year ended June 30, 2007, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b><u>Governmental activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 2,855,364	\$ 2,883,390	\$ -	\$ 5,738,754
Capital assets being depreciated:				
Buildings and related improvements	43,993,308			43,993,308
Improvements other than buildings	1,008,228	36,671		1,044,899
Equipment, machinery & vehicles	5,297,600	476,655	297,834	5,476,421
Infrastructure	<u>12,209,974</u>	<u>-</u>	<u>-</u>	<u>12,209,974</u>
Sub-total	62,509,110	513,326	297,834	62,724,602
Less accumulated depreciation:				
Buildings and related improvements	18,973,533	1,094,490		20,068,023
Improvements other than buildings	495,310	42,203		537,513
Equipment, machinery & vehicles	3,844,309	361,095	297,834	3,907,570
Infrastructure	<u>9,258,861</u>	<u>258,190</u>	<u>-</u>	<u>9,517,051</u>
Sub-total	<u>32,572,013</u>	<u>1,755,978</u>	<u>297,834</u>	<u>34,030,157</u>
Governmental capital assets, net	<u>\$ 32,792,461</u>	<u>\$ 1,640,738</u>	<u>\$ -</u>	<u>\$ 34,433,199</u>

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June 30, 2007

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

Governmental activities:	
General government	\$ 65,909
Public safety	199,312
Education	1,021,524
Public works	350,654
Health and human services	3,906
Culture and recreation	<u>114,673</u>
Total depreciation expense – governmental activities	<u>\$ 1,755,978</u>

**Note 7. Interfund Balances and Activity**

At year-end the Town's general fund had paid \$147,135 of expenditures on behalf of certain fiduciary funds and \$5,298 on behalf of certain permanent funds for which it had not been reimbursed. Inter-fund transfers for the fiscal year ended June 30, 2007, consisted of the following:

	<u>General Fund</u>	<u>Stabilization Fund</u>	<u>Other Governmental Funds</u>
Ambulance fund appropriations	\$ 364,226	\$ -	\$ (364,226)
Stabilization fund appropriations	762,644	(762,644)	
Appropriations from betterment accounts to fund related debt service	11,100		(11,100)
Amounts transferred from cemetery care funds	15,000		(15,000)
Appropriation from trash collection fees to landfill monitoring	35,000		(35,000)
VNA receipts reserved for appropriation	2,144		(2,144)
Appropriations from surplus property account	3,258		(3,258)
Amounts transferred to capital project fund	(159,278)		159,278
Amounts transferred to police detail agency fund	<u>(43,729)</u>	<u>-</u>	<u>-</u>
Totals on budgetary governmental fund basis	<u>\$ 990,365</u>	<u>\$ (762,644)</u>	<u>\$ (271,450)</u>

**Note 8. Long-term Obligations**

The following is a summary of changes in long-term obligations for the year ended June 30, 2007:

<u>Purpose</u>	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2007</u>	<u>Current Portion</u>
<b>Governmental activities:</b>					
Multi-purpose bonds, 4.40 – 5.40%, dtd. 10/1/1995, due 10/1/2009	\$ 400,000	\$ -	\$ 100,000	\$ 300,000	\$ 100,000
Multi-purpose bonds, 4.50 – 5.50%, dtd. 12/15/1996, due 12/15/2016	2,550,000		240,000	2,310,000	240,000
Refunding bonds, 4.20 – 4.55%, dtd. 12/15/1997, due 8/15/2006	521,456		521,456		
School Addition bonds, 4.05 – 5.05%, dtd. 10/1/1998, due 6/15/2018	1,985,000		170,000	1,815,000	165,000
Massachusetts Water Pollution Abatement Trust, subsidized septic bonds, dtd. 8/1/1997, due 2/1/2017	<u>122,072</u>	<u>-</u>	<u>11,111</u>	<u>110,961</u>	<u>11,111</u>
Total long-term bonds	5,578,528	-	1,042,567	4,535,961	516,111
Capital Leases	283,154	312,963	104,194	491,923	91,637
Landfill closure and monitoring liability	1,500,000		50,000	1,450,000	50,000
Compensated absences	<u>363,010</u>	<u>74,089</u>	<u>-</u>	<u>437,099</u>	<u>-</u>
Total governmental activities	<u>\$ 7,724,692</u>	<u>\$ 387,052</u>	<u>\$ 1,196,761</u>	<u>\$ 6,914,983</u>	<u>\$ 657,748</u>

**TOWN OF CARVER, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2007

Long-term debt

The outstanding Massachusetts Water Pollution Abatement Trust (MWPAT) bond above is recorded at the gross amount outstanding, as the Town is obligated to repay the full amount outstanding including interest; however, it is anticipated that the Commonwealth of Massachusetts will subsidize the interest portion of the debt service via contract payments to MWPAT (and MWPAT available earnings). These payments, if material, are recorded as revenue and expenses in the accompanying entity-wide financial statements, however, these payments are not included in the budgetary basis supplementary information because it is not part of the local budget.

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2007, including interest, are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 516,111	\$ 208,943	\$ 725,054
2009	516,111	184,745	700,856
2010	516,111	160,125	676,236
2011	416,111	137,858	553,969
2012	416,111	118,028	534,139
2013 – 2017	1,990,406	291,105	2,281,511
2018	<u>165,000</u>	<u>7,425</u>	<u>172,425</u>
Totals	<u>\$ 4,535,961</u>	<u>\$ 1,108,229</u>	<u>\$ 5,644,190</u>

The Town is subject to a dual level general debt limit—the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively of the valuation of taxable property in the Town as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without state approval. Authorizations under the double debt limit, however, require the approval of the Department of Revenue. Additionally, there are many categories of general obligation debt that are exempt from the debt limit but are subject to other limitations.

Unissued debt authorizations consist of the following at June 30, 2007:

<u>Purpose</u>	<u>Year(s)</u> <u>Authorized</u>	<u>Amount</u>
Closing and capping landfill	1998	\$ 1,900,000
Open space/water district	2007	<u>7,000,000</u>
		<u>\$ 8,900,000</u>

Lease obligations

*A. Operating leases*

The Town has entered into a number of operating leases to support governmental activities, some of which are non-cancelable but otherwise are subject to annual appropriation. The annual minimum required payments for non-cancelable operating leases are immaterial as of June 30, 2007.

**TOWN OF CARVER, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2007

*B. Capital leases*

In accordance with Massachusetts General Laws, the Town may enter into lease agreements subject to annual appropriation and approval. The annual requirement to pay down capital lease obligations outstanding as of June 30, 2007 is shown in the following table.

<u>Year Ending June 30,</u>	<u>Lease Principal</u>	<u>Lease Interest</u>	<u>Total</u>
2008	\$ 91,637	\$ 22,534	\$ 114,171
2009	95,845	18,327	114,172
2010	87,416	13,709	101,125
2011	83,990	9,953	93,943
2012	65,282	6,182	71,464
2013-2016	<u>67,753</u>	<u>8,223</u>	<u>75,976</u>
Totals	<u>\$ 491,923</u>	<u>\$ 78,928</u>	<u>\$ 570,851</u>

**Note 9. Temporary Borrowings**

Under state law and by authorization of the Board of Selectmen, the Town is authorized to borrow on a temporary (short-term) basis to fund the following:

- Current operating costs prior to the collection of revenues through issuance of tax anticipation notes (TANs),
- Capital project costs incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs),
- Federal and state aided capital projects and other program expenditures prior to receiving reimbursement through issuance of federal and state aid anticipation notes (FANs and SANs).

Temporary loans are general obligations of the Town and carry maturity dates that are limited by statute. Interest expenditures for temporary borrowings are accounted for in the General Fund. Temporary borrowings are recorded as liabilities in the Capital Project Funds.

Changes in the Town's short-term debt for the year ended June 30, 2007 are as follows:

<u>Type/ Dated Date</u>	<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance July 1, 2006</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2007</u>
BAN							
6/30/2006	Multi Purpose	3.99%	6/28/2007	\$ 519,327	\$ -	\$ 519,327	\$ -
5/23/2007	Multi Purpose	3.99%	11/21/2008		1,500,000		1,500,000
5/23/2007	Multi Purpose	3.99%	11/21/2008		1,000,000		1,000,000
6/28/2007	Multi Purpose	3.85%	3/28/2008		360,049		360,049
5/23//2007	Multi Purpose	3.89%	9/21//2007	<u>-</u>	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
Totals				<u>\$ 519,327</u>	<u>\$ 3,860,049</u>	<u>\$ 519,327</u>	<u>\$ 3,860,049</u>

Since proceeds from bond anticipation notes are not considered permanent funding sources, the Town may have deficit fund balances in the Capital Projects Fund. These deficits will be funded through long-term borrowing.

**TOWN OF CARVER, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2007

**Note 10. Employee Benefits**

**A. Retirement Benefits**

Plan Description

The Town of Carver, Massachusetts contributes for eligible employees, other than teachers, to the Plymouth County Retirement Association (Association), a cost-sharing multiple-employer defined benefit pension plan administered by the Plymouth County Retirement Association. The Association provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Association is governed by the applicable provisions of Chapter 32 of the Massachusetts General Law (M.G.L.) and other applicable statutes. Oversight is provided by a five member board. The Association issues a publicly available financial report that includes financial statements and required supplementary information, which may be obtained by writing to Plymouth County Retirement Association, 11 Russell Street, Plymouth, MA 02360. Teachers are covered by the Commonwealth of Massachusetts, Teachers Retirement System (TRS), to which the Town does not contribute.

Funding Policy

Plan members are required to contribute 5-11% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The Town's current year contribution is \$856,584 representing approximately 2.2% of the Association wide employer assessments, which is equal to the required contribution. The contribution requirements of plan members and the Town are established and may be amended by M.G.L. The Town's contributions to the Association for the years ending June 30, 2006 and 2005 were \$781,614 and \$708,510, respectively, which were equal to the required contributions for each year.

As noted above, the Town does not contribute to TRS. Contributions to the TRS are made by the Commonwealth of Massachusetts on behalf of the Town. Accounting Principles Generally Accepted in the United States require the Town to record such "on behalf payments" as revenue and expenditures in the financial statements. Accordingly, \$1,576,116 of pension benefits paid by the Commonwealth of Massachusetts on behalf of the Town is included in the accompanying Statement of Activities as Education operating contributions and expense and in the accompanying Statement of Revenues, Expenditures and Changes in Fund Balance as general fund intergovernmental revenue and education expenditures. These on-behalf payments are not part of the local budget and therefore, are not included in the accompanying budgetary basis statements.

**B. Compensated Absences**

Employees earn vacation and sick leave as they provide services. The cost of vacation and sick leave benefits is recorded as an expenditure of the applicable fund when incurred. Vacation and sick pay accumulates for various groups of employees based upon personnel by-laws and their respective collective bargaining agreements. Accumulated unused sick leave is due to certain employees upon termination of employment and has been recorded as a liability in the accompanying Statement of Net Assets.

**TOWN OF CARVER, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2007

**C. Other Post Employment Benefits**

In addition to the pension benefits described above, the Town provides postretirement healthcare benefits to all employees who retire from the Town on or after attaining age 55 with 10 or more years of service. Currently, the Town pays 75% of the health, dental and life insurance premiums for approximately 125 retirees and their dependents. The costs of retiree's healthcare benefits are recognized as expenditures as premiums are paid. For fiscal year 2007, those costs totaled approximately \$ 628,687.

**Note 11. Landfill Closure and Postclosure Care Costs**

State and Federal laws and regulations require the Town to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site for thirty years thereafter. The landfill has stopped accepting solid waste and pursuant to a Massachusetts Department of Environmental Protection consent order, the Town has placed a final cover on its landfill.

As of June 30, 2007, \$1,450,000 has been reported on the Town's statement of net assets as an estimated remaining liability for post-closure monitoring costs of the landfill. Actual costs may change due to the finalizing of regulations with regulatory authorities, changing technology, and inflation.

**Note 12. Risk Management**

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and natural disasters. The Town carries commercial insurance for all risk except health insurance.

As discussed in Note 1, the Town participates in the Gateway Municipal Health Group (Group) a municipal joint-purchase group consisting of 7 governmental units, formed pursuant to Massachusetts General Law Chapter 32B to provide employee insurance benefits. Employees and the Town both contribute to the Group. The group carries stop-loss insurance to cover claims in excess of \$100,000. Net assets of the group as of June 30, 2007 are \$ 167,870.

**Note 13. Commitments and Contingencies**

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