

TOWN OF CARVER, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDING JUNE 30, 2011

TOWN OF CARVER, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS AND
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2011

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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, 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, 2011, 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, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Carver, Massachusetts as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows thereof 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 March 19, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress of the Town's retiree benefit plan on pages ii through viii and 33 through 35 be present to supplement the basic financial statements. Such information, although not a part of the basic financial statement, 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 a n appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's Responses to our inquirers, 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

Malloy, Lynch, Bienvenue, LLP

March 19, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF CARVER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2011

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, 2011.

Financial Highlights

- The assets of the Town exceeded its liabilities as of June 30, 2011, by \$22.5 million (net assets), down from \$4.8 million at the end of June 30, 2010.
- The total cost of all Town services for fiscal year 2011 was \$43.6 million.
- At June 30, 2011, unassigned fund balance for the general fund was \$1.8 million, or approximately 6.7% 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 business-type activities include the North Carver Water District.

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.

TOWN OF CARVER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2011

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.

Proprietary Funds: The Town of Carver, Massachusetts maintains one enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for the North Carver Water District.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary 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.

TOWN OF CARVER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2011

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.

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 \$22.5 million at the close of the most recent fiscal year.

	FY2011	FY2010	
	Governmental	Governmental	Percent
	<u>Activities</u>	<u>Activities</u>	<u>Change</u>
Current assets	\$ 11,255,488	\$ 13,432,632	(16.21%)
Capital assets	<u>28,566,734</u>	<u>29,025,935</u>	(1.58%)
Total assets	39,822,222	42,458,567	(6.21%)
Current liabilities	3,501,617	3,484,490	0.49%
Long-term liabilities	<u>13,809,900</u>	<u>11,470,496</u>	20.39%
Total liabilities	17,311,517	14,954,986	15.76%
Net Assets:			
Invested in capital assets, net of related debt	23,342,265	18,276,388	27.72%
Restricted	4,938,508	5,060,802	(2.42%)
Unrestricted	<u>(5,770,068)</u>	<u>4,166,391</u>	(238.49%)
Total net assets	<u>\$ 22,510,705</u>	<u>\$ 27,503,581</u>	(18.15%)

Included within the governmental activity current assets, unrelated to capital assets, are \$1.1 million in grant reimbursements due from the state and \$1.2 million in tax liens, deferrals, and foreclosures receivable.

Governmental activity long term liabilities include \$2.1 million in general obligation bonds payable, \$603,866 in capital leases payable, compensated absence payable of \$622,118, and \$1,250,000 in landfill closure and monitoring costs and \$9.3 million related to other post employment benefit obligation.

	FY2011	FY2010	
	Business-type	Business-type	Percent
	<u>Activities</u>	<u>Activities</u>	<u>Change</u>
Current assets	\$ 3,229,795	\$ -	100.00%
Capital assets	<u>5,504,716</u>	<u>5,201,696</u>	5.83%
Total assets	8,734,511	5,201,696	67.92%
Current liabilities	135,272	3,725,600	(96.37%)
Long-term liabilities	<u>5,166,162</u>	<u>-</u>	100.00%
Total liabilities	5,301,434	3,725,600	42.30%
Net Assets:			
Invested in capital assets, net of related debt	338,554	5,201,696	(93.49%)
Unrestricted	<u>3,094,523</u>	<u>(3,725,600)</u>	(183.06%)
Total net assets	<u>\$ 3,433,077</u>	<u>\$ 1,476,096</u>	132.58%

TOWN OF CARVER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2011

Business-type activities long-term liabilities include \$5.1 million in bonds payable and \$41,162 in capital lease payable.

The largest portion of the Town's total net assets (91.28%) 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 (19.04%) represents resources that are subject to restrictions placed on how they may be used. The remaining balance of unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors. Currently, the Town reports a deficit of \$2.7 million or 10.31% in unrestricted net assets.

At the end of the current fiscal year, the Town is able to report positive balances in all categories of net assets, except for unrestricted governmental activities. Negative unrestricted net assets are a direct result of unfunded pension obligations.

Governmental activities decreased the Town's net assets by \$4,992,877 during fiscal year 2011. Business-type activities increased net assets by \$1,956,982. A summary of revenues and major functional expenditures is presented below:

	FY2011	FY2010	
	Governmental	Governmental	Percent
	<u>Activities</u>	<u>Activities</u>	<u>Change</u>
Program revenues:			
Charge for services	\$ 1,961,225	\$ 1,844,896	6.31%
Operating grants and contributions	14,589,058	14,268,070	2.25%
Capital grants and contributions	191,624	766,125	(74.99%)
General revenues:			#DIV/0!
Property taxes, net of allowances	18,161,792	17,210,018	5.53%
Excise taxes	1,287,034	1,281,573	0.43%
Penalties and interest	127,679	190,740	(33.06%)
Grant and contributions not restricted	1,685,206	2,037,996	(17.31%)
Investment income	<u>40,653</u>	<u>56,626</u>	(28.21%)
Total revenues	38,044,271	37,656,044	1.03%
Expenses:			
General government	8,231,877	6,353,471	29.57%
Public safety	3,292,994	3,110,090	5.88%
Education	27,536,672	26,719,347	3.06%
Public works	2,164,981	2,006,894	7.88%
Health and human services	587,023	539,798	8.75%
Culture and recreation	549,801	526,080	4.51%
Interest on long-term debt	323,830	341,165	(5.08%)
State and county charges	<u>349,970</u>	<u>311,251</u>	12.44%
Total expenses	<u>43,037,148</u>	<u>39,908,096</u>	7.84%
Change in net assets	<u>\$ (4,992,877)</u>	<u>\$ (2,252,052)</u>	121.70%

TOWN OF CARVER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2011

	FY2011	FY2010	Percent
	Governmental	Governmental	Percent
	<u>Activities</u>	<u>Activities</u>	<u>Change</u>
Charge for services	\$ 2,483,616	\$ -	100.00%
Departmental and Other	<u>6,761</u>	<u>-</u>	100.00%
Total revenues	2,490,377	-	
Expenses:			
Water	533,395	-	100.00%
Total expenses	<u>533,395</u>	<u>-</u>	100.00%
Change in net assets	<u>\$ 1,956,982</u>	<u>\$ -</u>	

Key elements of this decrease are as follows:

Revenues:

- ◆ Property taxes represent approximately 47.7% of the Town's revenue. Property tax growth represents a combination of a 7.2% annual increase, allowed in the levy under Proposition 2 ½, and new growth.
- ◆ Operating grants and contributions make up the second largest revenue representing 38.35% of the Town's revenue. Included in this amount are intergovernmental revenues from the Commonwealth of Massachusetts.
- ◆ The North Carver Water District reports \$2.5 million in revenues – primarily due to betterments recognized in the current year.

Expenses:

- ◆ Net obligations related to other post-employment benefits increased by approximately \$1.6 million.

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.

The focus of 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. Fund balance for governmental funds is reported in a classification hierarchy, which is based upon the extent to which the government is bound to honor constraints on the specific purposes for which the amounts in those funds can be spent. These classifications are non-spendable, restricted, committed, assigned and unassigned fund balance.

TOWN OF CARVER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2011

In particular, unassigned fund balance represents the residual fund balance which has not been restricted, committed, or assigned to a purpose within that fund. The general fund is the only fund which should report a positive unassigned fund balance. Any negative unassigned fund balance represent expenditures incurred for specific purposes which exceeded the amounts restricted, committed, or assigned for that purpose.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$5.1 million, down from \$6.1 million at the end of the prior fiscal year. The governmental funds' combined ending fund balances were reported in the following classification: non-spendable fund balance of \$237,674, restricted fund balance of \$3.7 million, committed fund balance of \$89,130, assigned fund balance of \$373,238, and unassigned fund balance of \$673,725.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the general fund reported aggregate fund balance of \$2.3 million, an increase of \$0.2 million from the previous year. Of this amount \$73,810 or 3.20% represents nonspendable fund balance. Committed fund balance of \$89,130 and assigned fund balance of \$373,238 represent 3.9% and 16.2% of total general fund balance, respectively. Unassigned fund balance of \$1.8 million represents 76.7% of total general fund balance. 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 5.1% of total general fund expenditures, while total fund balance represents 6.7% 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 unassigned fund balance of \$1.8 million (5.1%) falls within the recommended level.

General Fund Budgetary Highlights

There were no significant changes between the original budget of \$31.5 million and the final amended budget of \$31.9. Differences can be briefly summarized as follows:

- Approximately, \$531,000 in special town meeting votes increased the original budget.
- \$125,985 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, 2011, amounts to \$28.6 million, net of accumulated depreciation of \$40.6 million. The investment in capital assets includes land; buildings; improvements; machinery and equipment and infrastructure.

TOWN OF CARVER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2011

The Town's investment in capital assets for business-type activities as of June 30, 2011, amounts to \$5.5 million, which is net of accumulated depreciation of \$5,247. The investments in capital assets includes land, construction in process, and machinery and equipment.

The table below represents a summary of the Town's capital assets, net of accumulated depreciation by category:

Capital Assets	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 4,793,364	\$ 4,368,364	\$ 1,370,390	\$ 1,370,390
Construction in process	189,695	189,695	4,087,108	3,831,306
Buildings and related improvements	19,636,469	20,730,959		
Improvements other than buildings	895,334	528,957		
Equipment, machinery, and vehicles	1,391,709	1,289,607	47,218	
Infrastructure	<u>1,660,163</u>	<u>1,918,353</u>	<u>-</u>	<u>-</u>
	<u>\$ 28,566,734</u>	<u>\$ 29,025,935</u>	<u>\$ 5,504,716</u>	<u>\$ 5,201,696</u>

The Town's major additions to governmental activities during fiscal year 2011 consisted, primarily, of land and equipment purchases.

The Town's major additions to business-type activities during fiscal year 2011 consisted, primarily, of construction in process.

Long-term debt - At the end of the current fiscal year, the Town had total bonded debt outstanding of \$2.1 and \$5.1 million for the governmental and business-type activities, respectively. This is compared to \$3.8 million of governmental debt last year. All debt is a general obligation of the Town.

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

Economic Factors and Next Year's Budgets and Rates

- ◆ The Town has increased its property tax levy by 3.3%, which includes new growth.
- ◆ The Town's operating budget increased approximately 1.12% over the FY 2011 budget.

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, 2011

	Primary Government		
		Business-type	
	Governmental	Activities	Total
<u>ASSETS</u>			
Cash and equivalents	\$ 6,123,815	\$ 864,348	\$ 6,988,163
Investments	1,579,203		1,579,203
Receivables, net of allowance for uncollectible	3,473,660	2,365,447	5,839,107
Prepaid expenses	78,810		78,810
Capital Assets, net of accumulated depreciation	28,566,734	5,504,716	34,071,450
Total Assets	<u>\$ 39,822,222</u>	<u>\$ 8,734,511</u>	<u>\$ 48,556,733</u>
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	\$ 573,769	\$ 134,698	\$ 708,467
Amounts withheld from employees	195,185		195,185
Accrued interest payable	34,533		34,533
Provision for refund of paid taxes	695,631		695,631
Deferred revenues	509,782		509,782
Agency and other payables	192,675	574	193,249
Notes payable	1,300,042		1,300,042
Noncurrent liabilities			
Due within one year	569,207	69,246	638,453
Due in more than one year	13,240,693	5,096,916	18,337,609
Total liabilities	<u>17,311,517</u>	<u>5,301,434</u>	<u>22,612,951</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	23,342,265	338,554	23,680,819
Restricted	4,938,508		4,938,508
Unrestricted	<u>(5,770,068)</u>	<u>3,094,523</u>	<u>(2,675,545)</u>
Total net assets	<u>22,510,705</u>	<u>3,433,077</u>	<u>25,943,782</u>
Total liabilities and net assets	<u>\$ 39,822,222</u>	<u>\$ 8,734,511</u>	<u>\$ 48,556,733</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, 2011

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities/Totals</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary government							
Governmental activities							
General government	\$ 8,231,877	\$ 264,857	\$ 182,857	\$	\$ (7,784,163)	\$	\$ (7,784,163)
Public safety	3,292,994	240,431	307,087		(2,745,476)		(2,745,476)
Education	27,536,672	547,491	14,074,397		(12,914,784)		(12,914,784)
Public works	2,164,981	630,251		191,624	(1,343,106)		(1,343,106)
Health and human services	587,023	271,161	7,049		(308,813)		(308,813)
Culture and recreation	549,801	7,034	17,668		(525,099)		(525,099)
Interest on long-term debt	323,830				(323,830)		(323,830)
State and county charges	349,970				(349,970)		(349,970)
Total governmental activities	43,037,148	1,961,225	14,589,058	191,624	(26,295,241)		(26,295,241)
Business-type activities							
Water	533,395	2,490,377				(1,956,982)	(1,956,982)
Total business-type activities	533,395	2,490,377				(1,956,982)	(1,956,982)
Total primary government	<u>\$ 43,570,543</u>	<u>\$ 4,451,602</u>	<u>\$ 14,589,058</u>	<u>\$ 191,624</u>	(26,295,241)	(1,956,982)	(28,252,223)
General revenues							
Property taxes and payments in lieu, net of allowance for uncollectibles					18,161,792		20,652,169
Excise taxes					1,287,034		1,287,034
Penalties and interest on taxes					127,679		127,679
Grants and contributions not restricted to specific programs					1,685,206		1,685,206
Investment Income					40,653		40,653
Total general revenues, special items, and transfers					21,302,364		23,792,741
Change in net assets					(4,992,877)	1,956,982	(2,502,500)
Net assets - beginning of year, restated					27,503,582	1,476,095	28,979,677
Net assets - end of year					<u>\$ 22,510,705</u>	<u>\$ 3,433,077</u>	<u>\$ 25,943,782</u>

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

TOWN OF CARVER, MASSACHUSETTS
 Balance Sheet - Governmental Funds
 June 30, 2011

	General Fund	Chapter 90 Highway Fund	School Feasibility Study	School Equipment Purchases	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash and cash equivalents	\$ 3,636,786	\$ (67,831)	\$ 113,530	\$ 358,320	\$ 2,083,010	\$ 6,123,815
Investments					1,579,203	1,579,203
Receivables	2,301,255	717,399			607,425	3,626,079
Prepaid expenses	78,810					78,810
Total assets	\$ 6,016,851	\$ 649,568	\$ 113,530	\$ 358,320	\$ 4,269,638	\$ 11,407,907
<u>LIABILITIES</u>						
Accounts payable and accrued payroll	506,687	3,883			63,199	573,769
Amounts withheld from employees	195,185					195,185
Notes payable			688,054	611,988		1,300,042
Provisions for refund of paid taxes	695,631					695,631
Deferred revenue	2,129,168	717,399			504,291	3,350,858
Agency and other payables	187,146				5,529	192,675
Total liabilities	3,713,816	721,282	688,054	611,988	573,019	6,308,159
<u>FUND BALANCES</u>						
Nonspendable	73,810				163,864	237,674
Restricted					3,725,981	3,725,981
Committed	89,130					89,130
Assigned	373,238					373,238
Unassigned	1,766,857	(71,714)	(574,524)	(253,668)	(193,226)	673,725
Total fund balances	2,303,035	(71,714)	(574,524)	(253,668)	3,696,619	5,099,748
Total liabilities and fund balances	\$ 6,016,851	\$ 649,568	\$ 113,530	\$ 358,320	\$ 4,269,638	\$ 11,407,907

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

Total fund balances of governmental funds	\$ 5,099,748
Capital assets used in governmental activities are not financial resources and not reported in funds.	28,566,734
Other long-term assets are not available to pay for current-period expenditures and are deferred in funds	2,841,075
Reporting of assets on a full accrual basis requires an estimate for uncollectible accounts.	(152,419)
Long-term liabilities are not due and payable in the current period and are not included in funds.	(13,809,900)
Reporting of liabilities on full accrual basis requires associated interest, net of subsidies, be accrued.	(34,533)
Net assets of governmental activities	\$ 22,510,705

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

TOWN OF CARVER, MASSACHUSETTS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	General Fund	Chapter 90 Highway Fund	School Feasibility Study	School Equipment Purchases	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes and payments in lieu	\$ 17,666,319	\$	\$	\$	\$ 496,224	\$ 18,162,543
Excise taxes	1,267,741					1,267,741
Licenses and permits	86,776					86,776
Penalties and interest	127,679					127,679
Investment income	25,893				14,758	40,651
Charges for services	173,378				1,404,221	1,577,599
Fines and fees	25,966					25,966
Departmental and other	91,436				236,222	327,658
Contributions and donations					39,487	39,487
Intergovernmental	15,006,355	350,454			2,235,370	17,592,179
Total revenues	<u>34,471,543</u>	<u>350,454</u>			<u>4,426,282</u>	<u>39,248,279</u>
EXPENDITURES						
Current:						
General government	3,920,866				1,011,285	4,932,151
Public safety	2,646,074				433,601	3,079,675
Education	23,705,150		498,442	364,378	2,278,405	26,846,375
Public works	1,359,323	370,366			298,161	2,027,850
Health and human services	390,342				159,896	550,238
Culture and recreation	347,634				65,158	412,792
State and county assessments	349,970					349,970
Debt service	1,922,931				122,890	2,045,821
Total Expenditures	<u>34,642,290</u>	<u>370,366</u>	<u>498,442</u>	<u>364,378</u>	<u>4,369,396</u>	<u>40,244,872</u>
Revenues over (under) expenditures	(170,747)	(19,912)	(498,442)	(364,378)	56,886	(996,593)
OTHER FINANCING SOURCES (USES)						
Transfers in	603,098		29,352	110,710	207,036	950,196
Transfers out	(231,801)				(718,395)	(950,196)
Total other financing sources (uses)	<u>371,297</u>		<u>29,352</u>	<u>110,710</u>	<u>(511,359)</u>	
Revenues and other financing sources over (under) expenditures and other financing uses	200,550	(19,912)	(469,090)	(253,668)	(454,473)	(996,593)
Fund balances - beginning	2,102,485	(51,802)	(105,434)	-	4,151,092	6,096,341
Fund balances - ending	<u>\$ 2,303,035</u>	<u>\$ (71,714)</u>	<u>\$ (574,524)</u>	<u>\$ (253,668)</u>	<u>\$ 3,696,619</u>	<u>\$ 5,099,748</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 Year Ended June 30, 2011

Revenues and other financing sources over expenditures and other financing uses		\$ (996,593)
<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		1,277,036
Depreciation recorded for the fiscal year		(1,736,237)
<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		(1,231,708)
Net change in allowance for uncollectible accounts		27,690
<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		1,681,000
Principal payments on long-term leases		196,614
<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		6,439
<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>		
Compensated absences		(151,023)
Landfill closure		50,000
Net OPEB Obligation		<u>(4,116,095)</u>
Change in net assets of governmental activities		<u>\$ (4,992,877)</u>

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

TOWN OF CARVER, MASSACHUSETTS

Statement of Net Assets - Proprietary Funds

June 30, 2011

	Business-Type	
	Activities	
	North Carver	Water District
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$	864,348
Receivables, net of allowance for uncollectible		2,365,447
Capital Assets, net of accumulated depreciation		<u>5,504,716</u>
Total assets	\$	<u><u>8,734,511</u></u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable and other current liabilities	\$	24,802
Accrued interest payable		<u>110,470</u>
Total current liabilities		135,272
Non-current liabilities:		
Due within one year		69,246
Due in more than one year		5,096,916
Total liabilities		5,301,434
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt		338,554
Unrestricted		<u>3,094,523</u>
Total net assets		<u>3,433,077</u>
Total liabilities and net assets	\$	<u><u>8,734,511</u></u>

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

TOWN OF CARVER, MASSACHUSETTS
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds
For the Year Ended June 30, 2011

	Business-Type Activities
	North Carver Water District
Operating revenues	
Charges for services	\$ 2,483,616
Departmental and other	6,761
Total operating revenues	2,490,377
Operating expenses	
Salaries, wages, and employee benefits	56,347
Expenses	327,663
Utilities	29,460
Depreciation and amortization	5,247
Total operating expenses	418,717
Operating income (loss)	2,071,660
Non operating revenues (expenses)	
Interest expense	(114,678)
Total non-operating revenue (expenses)	(114,678)
Income (loss) before contributions and transfers	1,956,982
Change in net assets	1,956,982
Net assets at beginning of year	1,476,095
Net assets at end of year	\$ 3,433,077

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

TOWN OF CARVER, MASSACHUSETTS

Statement of Cash Flows - Proprietary Funds

For the Year Ended June 30, 2011

	Business-Type
	Activities
	North Carver
	Water District
Cash flows from operating activities	
Receipts from customers and users	\$ 124,930
Payments to vendors	(221,851)
Payments to employees, including fringe benefits	(56,347)
Net cash provided by operating activities	(153,268)
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(255,628)
Proceeds from issuance of bonds	5,125,000
Principal payment on leases	(11,477)
Interest expense	(114,678)
Net cash provided by capital and related financing activities	4,743,217
Net change in cash and cash equivalents	4,589,949
Cash and cash equivalents at beginning of year	(3,725,601)
Cash and cash equivalents at end of year	\$ 864,348
Reconciliation of operating income to net cash provided by operating activities	
Operating income (loss)	\$ 2,071,660
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	5,247
User fees receivable, net of allowance for collectibles	(2,365,447)
Accounts payable and other current liabilities	135,272
Total adjustments	(2,224,928)
Net cash provided by (used for) operating activities	\$ (153,268)

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

TOWN OF CARVER, MASSACHUSETTS
Statement of Fiduciary Net Assets - Fiduciary Funds
June 30, 2011

	Private Purpose Trust Funds	Agency Funds
<u>ASSETS</u>		
Cash and cash equivalents	\$	\$ 6,252
Investments	22,093	
Other receivables		139,767
Total assets	\$ 22,093	\$ 146,019
<u>LIABILITIES</u>		
Accounts payable and other current liabilities	\$	\$ 146,019
Total liabilities		146,019
<u>NET ASSETS</u>		
Held in trust for benefits and other purposes	22,093	
Total liabilities and net assets	\$ 22,093	\$ 146,019

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

TOWN OF CARVER, MASSACHUSETTS
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds
For the Year Ended June 30, 2011

	<u>Private Purpose Trust Funds</u>
Additions	
Interest and dividends	\$ 462
Total additions	<u>462</u>
 Change in net assets	 462
 Net assets at beginning of year	 <u>21,631</u>
Net assets at end of year	<u>\$ 22,093</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, 2011

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 2011. Financial statements may be obtained from each joint venture by contacting them directly. The Town does not have an equity interest in any joint venture.

<u>Name/Address</u>	<u>Purpose</u>	<u>FY 11 Assessment</u>
Carver, Marion, Wareham Regional Refuse Disposal District 2 Spring Street, Marion, MA	To provide refuse disposal facilities	\$8,270
Gateway Health Group Carver Town Hall Carver, MA	Employee and retiree health insurance	\$4,860,765
Greater Attleboro/Taunton Regional Transit Authority 7 Mill Street Attleboro, MA	Regional transportation services	\$45,206
Massachusetts Bay Transit Authority 45 High Street, Boston, MA	Regional transportation services	\$28,004
Old Colony Regional Vocational Technical High School 476 North Avenue, Rochester, MA	To provide vocational education.	\$662,157
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, 2011

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, 2011

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:

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 not accounted for and reported in another fund.
- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service and capital projects.
- Debt service funds are used to account for all financial resources that are restricted, committed, or assigned to expenditure for principal and interest.
- Capital projects funds are used to account for all financial resources that are restricted, committed, or assigned to expenditure for capital outlays.
- Permanent funds are used to account for resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs – that is for the benefit of the government or its citizens.

Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:

- Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues, has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or establishes fees and charges based on a pricing policy designed to recover similar costs.
- Internal service funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the Town on a cost-reimbursement basis. Currently, the Town does not utilize internal service funds.

TOWN OF CARVER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2011

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.
- Agency funds are used to hold funds on behalf of parties other than the Town, including federal and state agencies. 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.

For the fiscal year ended June 30, 2011, the Town reports the general fund, Chapter 90 highway fund, school feasibility study - CPF, and school equipment - CPF as major governmental funds. The Town also reports the water proprietary fund as major.

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.

TOWN OF CARVER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2011

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.

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.

TOWN OF CARVER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2011

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.

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.

TOWN OF CARVER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2011

- 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 based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance can be classified in the following components:

- Nonspendable fund balance – consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance – consists of amounts upon which constraints have been placed on their use either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – consist of amounts which can only be used for specific purposes pursuant to constraints imposed by formal action of Town Meeting.
- Assigned fund balance – consist of amounts that are constrained by the Town’s intent to be used for a specific purpose. Intent is expressed by either the governing body, or the officials directly responsible for departmental appropriations
- Unassigned fund balance – represents the residual classification for the general fund. It represents amounts that have not been assigned to other funds and 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 were designated for one purpose at the time of their creation. Therefore, any expenditure made 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.

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.

TOWN OF CARVER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2011

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. Fund equities

Operations of the various Town funds for the fiscal year were funded in accordance with the General Laws of Massachusetts. The Town classifies fund equity in the fund financial statements as either nonspendable, restricted, committed, or assigned for specific purposes. The residual is reported as unassigned fund balance. As of June 30, 2011, the classification of the Town’s fund balances can be detailed as follows:

	<u>General Fund</u>	<u>Chapter 90 Highway Fund</u>	<u>School Feasibility Study</u>	<u>School Equipment Purchases</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable:						
Permanent fund principal	\$ -	\$ -	\$ -	\$ -	\$ 163,864	\$ 163,864
Prepaid items	<u>73,810</u>	-	-	-	-	<u>73,810</u>
Subtotal	73,810	-	-	-	163,864	237,674
Restricted:						
General Government					1,455,034	1,455,034
Public Safety					905,853	905,853
Education					454,169	454,169
Public Works					401,982	401,982
Human Services					408,242	408,242
Culture & Recreation	-	-	-	-	<u>100,701</u>	<u>100,701</u>
Subtotal	-	-	-	-	3,725,981	3,725,981
Committed:						
General Government	62,280					62,280
Public Safety	10,729					10,729
Public Works	7,915					7,915
Human Services	7,080					7,080
Culture & Recreation	<u>1,126</u>	-	-	-	-	<u>1,126</u>
Subtotal	89,130	-	-	-	-	89,130
Assigned:						
Education	36,855					36,855
Other	<u>336,383</u>	-	-	-	-	<u>336,383</u>
Subtotal	373,238	-	-	-	-	373,238
Unassigned						
	<u>1,766,857</u>	<u>(71,714)</u>	<u>(574,524)</u>	<u>(253,668)</u>	<u>(193,226)</u>	<u>673,725</u>
Total	<u>\$ 2,303,035</u>	<u>\$ (71,714)</u>	<u>\$ (574,524)</u>	<u>\$ (253,668)</u>	<u>\$ 3,696,619</u>	<u>\$ 5,099,748</u>

Other assigned fund balances represent appropriations of existing fund balance to fund the fiscal year 2012 operating budget.

TOWN OF CARVER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2011

C. 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:

Special revenue fund balances:	
Community Preservation Fund	\$ 1,083,033
Other special revenue funds	966,966
Ambulance	904,411
Special Education	268,544
Technical Review	206,923
Sale of Cemetery Lots	162,522
Cranberry Village Water	149,022
Conservation Trust	136,250
Chapter 90 Highway Fund	135,902
Community Development Block Grant	110,918
Capital project funds:	
School Equipment Purchases	358,320
School Feasibility Study	113,530
Other capital project funds	81,928
Permanent funds:	
Expendable:	96,375
Non-expendable	<u>163,864</u>
	<u>\$ 4,938,508</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, 2011 deposits totaled \$9,016,441 and had a carrying amount of \$8,604,761. Of the deposit amounts, \$859,823 was exposed to custodial credit risk at June 30, 2011, because it was uninsured and uncollateralized. The difference between deposit amounts and carrying amounts generally represents outstanding checks and deposits in transit.

TOWN OF CARVER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2011

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.

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>12 Months or Less</u>	<u>13 - 24 Months</u>	<u>25 - 60 Months</u>	<u>Not applicable/ Thereafter</u>
Federal agency securities	\$ 750,260	\$ 251,584	\$ 102,479	\$ 220,358	\$ 175,840
Mutual Funds	28,954	28,954			
Money market funds	636,493	636,493			
Certificate of Deposit	120,783		85,272	35,510	
Domestic equities	1,553				1,553
Corporate notes	<u>63,254</u>	<u>-</u>	<u>63,254</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,601,296</u>	<u>\$ 917,031</u>	<u>\$ 251,005</u>	<u>\$ 255,868</u>	<u>\$ 177,393</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&P Rating as of Year End</u>				
		<u>AAA</u>	<u>AA to A</u>	<u>BBB</u>	<u>BB to B</u>	<u>Not Rated</u>
Federal agency securities	\$ 750,260	\$ 50,260	\$ -	\$ -	\$ -	\$ -
Mutual Funds	28,954					28,954
Money market funds	636,493					636,493
Certificate of Deposit	120,783					120,783
Domestic equities	1,553					1,553
Corporate notes	<u>63,254</u>	<u>-</u>	<u>63,254</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,601,296</u>	<u>\$ 750,260</u>	<u>\$ 63,254</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 787,782</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.

TOWN OF CARVER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2011

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.

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	\$ 774,481	\$ 28,010	\$ 746,471	\$ 630,091
Tax liens, deferrals and foreclosures	1,167,268		1,167,268	1,167,268
Motor vehicle and other excise	211,627	61,029	150,598	211,627
Ambulance charges	253,517	63,380	190,137	253,517
Charges for service - water	13,890		13,890	13,890
Septic betterments and loans	29,862		29,862	29,862
Departmental	43,571		43,571	43,571
Intergovernmental			-	
Commonwealth highway awards	717,399		717,399	717,399
Community preservation act	164,053		164,053	164,053
Department of Elementary and Secondary Education	11,745		11,745	
Veterans assistance	147,277		147,277	119,580
Department of Housing and Community Development	75,000		75,000	
Other items due from Commonwealth	<u>16,389</u>		16,389	<u>-</u>
Totals on a governmental fund basis	3,626,079			<u>\$ 3,350,858</u>
	<u>-</u>	<u>-</u>	<u>-</u>	
Totals on entity-wide basis	<u>\$ 3,626,079</u>	<u>\$ 152,419</u>	<u>\$ 3,473,660</u>	

Receivables for the Town's business-type activities consist of the following:

<u>Receivable Type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>
Unapportioned betterments	\$ 2,358,023	\$ -	\$ 2,358,023
Apportioned betterments	6,014		6,014
Committed betterment interest	<u>1,410</u>	<u>-</u>	<u>1,410</u>
Totals	<u>\$ 2,365,447</u>	<u>\$ -</u>	<u>\$ 2,365,447</u>

TOWN OF CARVER, MASSACHUSETTS
Notes to Financial Statements
June 30, 2011

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 4,368,364	\$ 425,000	\$ -	\$ 4,793,364
Construction in process	<u>189,695</u>	<u>-</u>	<u>-</u>	<u>189,695</u>
Subtotal	4,558,059	425,000		4,983,059
Capital assets being depreciated				
Buildings and related improvements	44,082,451			44,082,451
Improvements other than buildings	1,226,499	424,033		1,650,532
Equipment, machinery, & vehicles	5,964,526	428,003	(147,017)	6,245,512
Infrastructure	<u>12,209,974</u>	<u>-</u>	<u>-</u>	<u>12,209,974</u>
Subtotal	63,483,450	852,036	(147,017)	64,188,469
Less accumulated depreciation:				
Buildings and related improvements	23,351,492	1,094,490		24,445,982
Improvements other than buildings	697,542	57,656		755,198
Equipment, machinery, & vehicles	4,674,919	325,901	(147,017)	4,853,803
Infrastructure	<u>10,291,621</u>	<u>258,190</u>	<u>-</u>	<u>10,549,811</u>
Subtotal	<u>39,015,574</u>	<u>1,736,237</u>	<u>(147,017)</u>	<u>40,604,794</u>
Governmental capital assets, net - restated	<u>\$ 29,025,935</u>	<u>\$ (459,201)</u>	<u>\$ -</u>	<u>\$28,566,734</u>
	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 1,370,390	\$ -	\$ -	\$ 1,370,390
Construction in process	<u>3,831,306</u>	<u>255,802</u>	<u>-</u>	<u>4,087,108</u>
Subtotal	5,201,696	255,802		5,457,498
Capital assets being depreciated				
Equipment, machinery, & vehicles	<u>-</u>	<u>52,465</u>	<u>-</u>	<u>52,465</u>
Subtotal		52,465		52,465
Less accumulated depreciation:				
Equipment, machinery, & vehicles	<u>-</u>	<u>5,247</u>	<u>-</u>	<u>5,247</u>
Subtotal	<u>-</u>	<u>5,247</u>	<u>-</u>	<u>5,247</u>
Business-type activities capital assets, net - restated	<u>\$ 5,201,696</u>	<u>\$ 303,020</u>	<u>\$ -</u>	<u>\$ 5,504,716</u>

TOWN OF CARVER, MASSACHUSETTS
Notes to Financial Statements
June 30, 2011

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

Governmental activities:

General government	\$ 71,990
Public safety	166,906
Education	1,032,859
Public works	347,369
Health and human services	12,348
Culture and recreation	<u>104,765</u>
Total depreciation expense - governmental activities	<u>\$ 1,736,237</u>

Business-type activities:

Water	<u>\$ 5,247</u>
Total depreciation expense - business-type activities	<u>\$ 5,247</u>

Note 7. Interfund Balances and Activity

Inter-fund transfers for the fiscal year ended June 30, 2011, consisted of the following:

	<u>General Fund</u>	<u>Governmental Funds</u>
Ambulance fund appropriations	\$ 431,957	\$ (431,957)
Amounts transferred from Entergy Funds	35,000	(35,000)
Amounts transferred from Landfill funds	35,000	(35,000)
Amounts transferred from Entergy Funds	20,639	(20,639)
Appropriation from betterment accounts to fund related debt services	11,101	(11,101)
Amounts transferred from trust funds	9,361	(9,361)
Amounts transferred from other revolving funds	4,693	(4,693)
Amounts transferred from Cranberry Village water fund	2,600	(2,600)
Amounts transferred to CPA fund	(18,354)	18,354
Amounts transferred to capital project funds	<u>(160,700)</u>	<u>160,700</u>
	<u>\$ 371,297</u>	<u>\$ (371,297)</u>

TOWN OF CARVER, MASSACHUSETTS
Notes to Financial Statements
June 30, 2011

Note 8. Long-term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2011:

<u>Purpose</u>	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2011</u>	<u>Current Portion</u>
Governmental activities:					
School additions bonds, 4.05 - 5.05%, dtd 10/1/1998, due 6/15/2018	\$ 1,320,000	\$ -	\$ 1,320,000	\$ -	\$ -
Massachusetts Water Pollution Abatement Trust subsidized septic bonds, dtd 8/1/1997, due 2/1/2017	77,661		11,100	66,561	11,100
Refunding bonds, 3.27%, dtd 5/2/08, due 11/1/2016	1,654,000		250,000	1,404,000	250,000
Multi-purpose bonds, 3.27%, dtd 5/2/08, due 11/1/2016	<u>700,000</u>	<u>-</u>	<u>100,000</u>	<u>600,000</u>	<u>100,000</u>
Total long-term bonds	3,751,661	-	1,681,100	2,070,561	361,100
Capital leases	800,480		196,614	603,866	158,107
Landfill closure and monitoring liability	1,300,000		50,000	1,250,000	50,000
Compensated absences	471,095	151,023		622,118	
OPEB obligation	<u>5,147,260</u>	<u>4,116,095</u>	<u>-</u>	<u>9,263,355</u>	<u>-</u>
Total governmental activities	<u>\$ 11,470,496</u>	<u>\$ 4,267,118</u>	<u>\$ 1,927,714</u>	<u>\$ 13,809,900</u>	<u>\$ 569,207</u>
				-	
Business-type activities					
General obligation water bond, 3.75%, dtd 12/15/2010, due 12/15/2046	\$ -	\$ 1,700,000	\$ -	\$ 1,700,000	\$ 23,086
General obligation water bond, 3.75%, dtd 12/15/2010, due 12/15/2048		2,900,000		2,900,000	35,670
General obligation water bond, 4.0%, dtd 12/20/2010, due 8/15/2020		200,000		200,000	
General obligation water bond, 5.5 - 6.0 %, dtd 12/20/2010, due 8/15/2018		300,000		300,000	
General obligation water bond, 7.5%, dtd 12/20/2010, due 12/15/2027	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>1,000</u>
Total long-term bonds	-	5,125,000	-	5,125,000	59,756
Capital leases	<u>-</u>	<u>52,639</u>	<u>11,477</u>	<u>41,162</u>	<u>9,490</u>
Total business-type activities	<u>\$ -</u>	<u>\$ 5,177,639</u>	<u>\$ 11,477</u>	<u>\$ 5,166,162</u>	<u>\$ 69,246</u>

Long-term debt

The Town has applied for and received approval for a school building assistance grant from the Commonwealth of Massachusetts for reimbursement of eligible construction and interest costs on certain school construction projects. Reimbursement commenced in fiscal 1999 and will be made over 20 years at approximately 60% of eligible costs of the project, subject to approval and annual appropriation by the Commonwealth of Massachusetts. The Massachusetts School Building Authority completed and audit of the Carver Middle High School project's allowable cost in fiscal year 2008.

In order to assist the Town, the MSBA agreed to make a lump-sum payment of the remaining funds scheduled to be paid to the Town for the Carver Middle High School Project. The Town received a lump-sum payment of \$1,313,183 (includes both construction and interest costs) in fiscal year 2011. The amount was calculated by taking the present value of the future year payments scheduled to be paid to the Town, using a discount rate of 2.0831% which was the MSBA's True Interest Cost (TIC) for its 2009 series A bonds.

TOWN OF CARVER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2011

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, 2011, including interest, are as follows:

	<u>Governmental</u>			<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 361,100	\$ 65,531	\$ 426,631	\$ 59,756	\$ 172,500	\$ 232,256
2013	361,100	54,086	415,186	61,959	170,297	232,256
2014	360,100	42,641	402,741	64,245	168,011	232,256
2015	357,100	31,229	388,329	66,617	165,639	232,256
2016	352,100	19,914	372,014	69,078	163,178	232,256
2017 - 2021	279,061	8,764	287,825	885,651	775,620	1,661,271
2022 - 2026				462,581	698,699	1,161,280
2027 - 2031				555,057	606,222	1,161,279
2032 - 2036				666,225	495,055	1,161,280
2037 - 2041				794,859	361,422	1,156,281
2042 - 2046				955,498	200,782	1,156,280
2046 - 2049	<u>-</u>	<u>-</u>	<u>-</u>	<u>483,474</u>	<u>33,461</u>	<u>516,935</u>
Totals	<u>\$ 2,070,561</u>	<u>\$ 222,165</u>	<u>\$ 2,292,726</u>	<u>\$ 5,125,000</u>	<u>\$ 4,010,886</u>	<u>\$ 9,135,886</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, 2011:

<u>Purpose</u>	<u>Year</u> <u>Authorized</u>	<u>Amount</u>
Open Space/Water District	2006	\$ 855,000
School Feasibility Study	2008	\$ 88,054
School Schematic Design	2010	\$ 600,000
Dept. Equip/BLD Renovation	2011	\$ 611,988

TOWN OF CARVER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2011

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, 2011.

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, 2011 is shown in the following table.

<u>Year Ending</u> <u>June 30,</u>	<u>Governmental activities</u>			<u>Business-type activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 158,107	\$ 28,515	\$ 186,622	\$ 9,490	\$ 2,232	\$ 11,722
2013	116,578	21,276	137,854	10,005	1,717	11,722
2014	83,418	15,699	99,117	10,548	1,175	11,723
2015	87,406	11,712	99,118	11,119	603	11,722
2016	78,397	7,534	85,931			
2017 - 2018	<u>79,960</u>	<u>4,509</u>	<u>84,469</u>	-	-	-
			<u>\$</u>			
Totals	<u>\$ 603,866</u>	<u>\$ 89,245</u>	<u>693,111</u>	<u>\$ 41,162</u>	<u>\$ 5,727</u>	<u>\$ 46,889</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.

TOWN OF CARVER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2011

Changes in the Town's short-term debt for the year ended June 30, 2011 are as follows:

<u>Type/ Dated Date</u>	<u>Purpose</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance July 1, 2010</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2011</u>
3/26/2010	Multi-purpose	1.05%	3/25/2011	\$ 117,406	\$ -	\$ 117,406	\$ -
5/21/2010	Multi-purpose	1.00%	10/21/2010	4,780,000		4,780,000	
10/21/2010	Multi-purpose	1.05%	12/21/2010		4,780,000	4,780,000	
3/25/2011	Multi-purpose	1.04%	3/23/2012		88,054		88,054
3/25/2011	Multi-purpose	1.04%	3/23/2012		600,000		600,000
6/28/2011	Multi-purpose	1.04%	6/28/2012	-	611,988	-	611,988
Totals				<u>\$ 4,897,406</u>	<u>\$ 6,080,042</u>	<u>\$ 9,677,406</u>	<u>\$ 1,300,042</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.

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 \$1,276,399 representing approximately 2.6% 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, 2010 and 2009 were \$1,133,950 and \$1,101,079, 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, \$2,349,813 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

TOWN OF CARVER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2011

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.

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 158 retirees and their dependents. The costs of retiree's healthcare benefits are recognized as expenditures as premiums are paid. For fiscal year 2011, those costs totaled approximately \$ 871,000.

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 provisions of GASB Statement 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation.

Annual required contribution	\$ 4,471,028
Interest on net OPEB obligation	106,315
Adjustment to annual required contribution	<u>659,637</u>
Annual OPEB cost (expense)	5,236,980
Contributions made	<u>1,120,885</u>
Increase in net OPEB obligation	4,116,095
Net OPEB obligation, beginning of year	<u>5,147,260</u>
Net OPEB obligation, end of year	<u>\$ 9,263,355</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years were as follows:

Fiscal Year	Annual	Percentage of	Net OPEB	
<u>Ended</u>	<u>OPEB Costs</u>	<u>Annual OPEB</u>	<u>Cost Contributed</u>	<u>Obligation</u>
6/30/2011	\$ 4,471,028	7.94%	\$ 4,116,095	
6/30/2010	\$ 3,340,373	25.48%	\$ 2,489,373	
6/30/2009	\$ 3,340,373	20.43%	\$ 2,657,887	

TOWN OF CARVER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2011

Funding Status and Schedule of Funding Progress

The unfunded actuarial liability was determined using the level dollar thirty year open amortization basis.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/c]
7/1/2009	\$	\$ 46,089,369	\$ 46,089,369	0.00%	\$ 19,638,719	234.69%
7/1/2007	\$	\$ 31,951,212	\$ 31,951,212	0.00%	N/A	N/A

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 in the required supplementary information following 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 the 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 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 following assumptions and methods were utilized in the July 1, 2009:

- Actuarial Cost Method: Projected Unit Credit
- Discount Rate: 4.0% pay-as-you-go
- Healthcare Cost Trend Rates:

<u>Year</u>	<u>Rate</u>
2012	7.0%
2013	6.0%
2014	5.0%
Ultimate	5.0%
- Amortization Method: Level dollar amount over thirty (30) years on an amortization period

TOWN OF CARVER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2011

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, 2011, \$1,250,000 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, 2011 are (\$78,230).

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.

Note 14. Implementation of New GASB Pronouncements

The following are pronouncements issued by the Governmental Accounting Standards Board (GASB), which the Town believes are applicable to its financial statements.

Current pronouncements

The GASB issued Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which was required to be implemented in fiscal 2011. The Town has implemented the provisions of this pronouncement, reporting fund balances under the new fund balance classifications.

The GASB issued Statement #59, *Financial Instruments Omnibus*, which is required to be implemented in fiscal year 2011. This pronouncement had no significant effect upon the Town's financial statements.

TOWN OF CARVER, MASSACHUSETTS

Notes to Financial Statements

June 30, 2011

Future pronouncements

The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013. This pronouncement's objective is to improve financial reporting by addressing issues related to service concession arrangements (SCA), which are types of public-private or public-public partnerships through the use of infrastructure or another public asset in exchange for significant consideration. The Town doesn't believe this pronouncement will impact the Town's financial statements.

The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*, which is required to be implemented in fiscal year 2013. This pronouncement modifies requirements for the inclusion of component units in the financial reporting entity. The Town doesn't believe this pronouncement will impact the Town's financial statements.

The GASB issued Statement #62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is required to be implemented in fiscal year 2013. This pronouncement will continue the codification of all generally accepted accounting principles for state and local governments into a single source.

The GASB issued Statement #64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an Amendment of GASB Statement No.53.*, which is required to be implemented in fiscal year 2012. This pronouncement addresses financial reporting issues involving hedge accounting surrounding derivative instruments. The Town doesn't believe this pronouncement will impact the Town's financial statements.

Note 15. Restatement of beginning of year fund balances

The Town was required to implement the provisions of GASB Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Accordingly, certain opening fund balances were restated to include the Town's Stabilization funds. Under the new reporting model, the Town's stabilization funds are reported with the General fund since the fund is designed to maintain funds set aside by Town Meeting votes, and is not funded by a specific revenue source. Additionally, Chapter 90 Highway funds, School Feasibility Study – CPF and School Equipment Purchases – CPF classified as Other Governmental Funds in last year's financial statements, are reported as major funds in fiscal year 2011. The Community Preservation Act Fund, reported as a major fund in fiscal year 2010, does not meet the major fund criteria for 2011 and is therefore included in Other Governmental Funds. The Cole Property & Water Supply Project – CPF, reported as a major fund in fiscal year 2010, has been reclassified as a business-type activity and therefore is not included in governmental funds. The restatements are as follows:

Fund basis financial statements:

	General	Other
	Fund	Governmental
	Fund	Funds
Fund balance, 6/30/2010	1,157,543	\$ 3,572,224
Chapter 90 Highway Fund		51,802
School Feasibility Study - CPF		105,434
School Equipment Purchases - CPF		
Community Preservation Act		1,366,574
Reclassification of stabilization funds	<u>944,942</u>	<u>(944,942)</u>
Fund balance, restated, 7/1/2010	<u>\$ 2,102,485</u>	<u>\$ 4,151,092</u>

TOWN OF CARVER, MASSACHUSETTS
Notes to Financial Statements
June 30, 2011

Entity-wide financial statements:

	Governmental	Business-type
	<u>Activities</u>	<u>Activities</u>
Net assets, 6/30/2010	\$ 28,979,677	\$ -
Cole Property & Water Supply Project - CPF	<u>(1,476,095)</u>	<u>1,476,095</u>
Net assets, 7/1/2010	<u>\$ 27,503,582</u>	<u>\$ 1,476,095</u>

SUPPLEMENTARY INFORMATION

TOWN OF CARVER, MASSACHUSETTS
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis
General Fund - Budget and Actual
For the year ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 17,637,654	\$ 17,637,654	\$ 17,732,719	\$ 95,065
Excise taxes	1,275,204	1,275,204	1,267,741	(7,463)
License and permits	88,000	88,000	86,776	(1,224)
Penalties and interest	205,000	205,000	127,679	(77,321)
Investment interest	41,000	41,000	20,965	(20,035)
Fines and fees	213,000	213,000	199,344	(13,656)
Departmental and other	49,290	49,290	91,436	42,146
Intergovernmental	11,244,540	11,244,540	12,656,541	1,412,001
Total revenues	30,753,688	30,753,688	32,183,201	1,429,513
EXPENDITURES				
General government	4,140,416	4,043,782	3,920,867	122,915
Public safety	2,709,852	2,756,473	2,646,074	110,399
Education	21,408,466	21,371,611	21,355,337	16,274
Public works	890,981	1,360,385	1,359,323	1,062
Human services	388,093	409,963	390,342	19,621
Culture and recreation	348,199	348,824	347,634	1,190
State and county assessments	507,202	507,202	349,970	157,232
Debt service	910,458	910,458	1,922,931	(1,012,473)
Total Expenditures	31,303,667	31,708,698	32,292,478	(583,780)
Revenues over (under) expenditures	(549,979)	(955,010)	(109,277)	845,733
OTHER FINANCING SOURCES (USES)				
Transfers in from other funds	595,731	660,731	603,098	(57,633)
Transfers out to other funds	(204,512)	(204,512)	(231,801)	(27,289)
Total other financing sources and uses	391,219	456,219	371,297	(84,922)
Revenues and other financing sources over (under) expenditures and other financing sources	(158,760)	(498,791)	262,020	\$ 760,811
Fund balances - beginning			1,829,221	
Fund balances - ending			\$ 2,091,241	
Other budget items				
Free cash appropriations	25,000	365,031		
Overlay surplus	(25,694)	(25,694)		
Carryover encumbrances	159,454	159,454		
Total other budget items	158,760	498,791		
Net budget	\$	\$		

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

TOWN OF CARVER, MASSACHUSETTS

Notes to Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis
June 30, 2011

Note 1. 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.

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, 2011, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses), Net</u>
As reported on a budgetary basis	\$ 32,183,201	\$ 32,292,478	\$ 371,297
Adjustment of property tax revenues to modified accrual basis	(68,566)		
State funded teacher's pension	2,349,812	2,349,812	
Stabilization fund activity	<u>7,096</u>	<u>-</u>	<u>-</u>
As reported on a GAAP basis	<u>\$ 34,471,543</u>	<u>\$ 34,642,290</u>	<u>\$ 371,297</u>

TOWN OF CARVER, MASSACHUSETTS

Required Supplementary Information

June 30, 2011

Other Post Employment Benefits

Funding Status and Schedule of Funding Progress

The unfunded actuarial liability was determined using the level dollar thirty year open amortization basis.

Actuarial Valuation	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Date	(a)	(b)	(b)-(a)	(a)/(b)	(c)	[(b)-(a)]/c]
7/1/2009	\$	\$ 46,089,369	\$ 46,089,369	0.00%	\$ 19,638,719	234.69%
7/1/2007	\$	\$ 31,951,212	\$ 31,951,212	0.00%	N/A	N/A

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The following assumptions and methods were utilized in the July 1, 2009:

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- Discount Rate: 4.0% pay-as-you-go
- Healthcare Cost Trend Rates:

<u>Year</u>	<u>Rate</u>
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2013	6.0%
2014	5.0%
Ultimate	5.0%
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