

TOWN OF CARVER, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2012

TOWN OF CARVER, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

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100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

Independent Auditors' Report

To the Honorable Board of Selectmen
Town of Carver, Massachusetts

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Carver, Massachusetts, as of and for the fiscal year ended June 30, 2012, 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 of Carver, Massachusetts' 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 the 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Carver, Massachusetts, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal 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 April 9, 2013, on our consideration of the Town of Carver, Massachusetts' 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 read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of

inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Powers & Sullivan LLC

April 9, 2013

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Carver (Town), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented in this report.

Overview of the Financial Statements

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

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

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

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

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

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

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

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for the North Carver Water District and the Cranberry Village Water activities.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town’s own programs. The accounting used for fiduciary funds is much like that used for propriety funds.

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

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

Financial Highlights. 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, governmental assets exceeded liabilities by \$19.3 million at the close of fiscal year 2012. Key components of the Town’s governmental financial position are listed below.

	<u>2012</u>	<u>2011</u>
Assets:		
Current assets.....	\$ 11,034,213	\$ 11,255,488
Noncurrent assets (excluding capital).....	335,147	-
Capital assets.....	<u>27,750,416</u>	<u>28,566,734</u>
Total assets.....	<u>39,119,776</u>	<u>39,822,222</u>
Liabilities:		
Current liabilities (excluding debt).....	2,015,440	2,409,682
Noncurrent liabilities (excluding debt).....	14,251,204	11,531,232
Current debt.....	1,415,012	1,661,142
Noncurrent debt.....	<u>2,177,837</u>	<u>1,709,461</u>
Total liabilities.....	<u>19,859,493</u>	<u>17,311,517</u>
Net Assets:		
Capital assets net of related debt.....	25,182,773	23,342,265
Restricted.....	4,517,614	4,938,508
Unrestricted.....	<u>(10,440,104)</u>	<u>(5,770,068)</u>
Total net assets.....	<u>\$ 19,260,283</u>	<u>\$ 22,510,705</u>

Net assets of \$25.2 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net assets \$4.5 million represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of unrestricted net assets totals \$10.4 million.

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

The governmental activities net assets decreased by \$3.3 million during the current fiscal year. This decrease was primarily the result of \$3.2 million increase in the OPEB liability and principal payments on long-term debt exceeding depreciation on capital assets; offset by positive budgetary results. The following table provides a summary of the financial highlights of the Town's governmental activities for fiscal year 2012 and fiscal year 2011.

	<u>2012</u>	<u>2011</u>
Program Revenues:		
Charges for services.....	\$ 1,689,252	\$ 1,961,225
Operating grants and contributions.....	14,779,914	14,589,058
Capital grants and contributions.....	428,086	191,624
Total program revenues.....	<u>16,897,252</u>	<u>16,741,907</u>
General Revenues:		
Real estate and personal property taxes.....	19,360,542	18,123,742
Tax liens.....	23,959	10,933
Motor vehicle and other excise taxes.....	1,264,276	1,287,034
Penalties and interest on taxes.....	193,084	127,679
Payments in lieu of taxes.....	27,053	27,117
Grants and contributions not restricted to specific programs.....	1,442,479	1,685,206
Unrestricted investment income.....	30,925	40,653
Miscellaneous.....	282,575	-
Total general revenues.....	<u>22,624,893</u>	<u>21,302,364</u>
Expenses:		
General government.....	3,197,991	3,050,648
Public safety.....	4,368,221	4,343,288
Education.....	31,149,544	31,551,764
Public works.....	2,195,594	2,385,967
Community Preservation.....	130,464	-
Human services.....	841,204	717,491
Culture and recreation.....	637,662	664,160
Claims and judgments.....	100,000	-
Interest.....	113,039	323,830
Total expenses.....	<u>42,733,719</u>	<u>43,037,148</u>
Transfers, net.....	<u>(38,848)</u>	<u>-</u>
Change in net assets.....	\$ <u><u>(3,250,422)</u></u>	\$ <u><u>(4,992,877)</u></u>

There was a decrease of \$162,000 in net assets reported in connection with the business-type activities. The following table provides a summary of the financial highlights of the enterprise funds for fiscal year 2012 and fiscal year 2011.

	<u>2012</u>	<u>2011</u>
Assets:		
Current assets.....	\$ 995,671	\$ 1,008,379
Noncurrent assets (excluding capital).....	2,179,677	2,364,873
Capital assets.....	5,494,948	5,504,716
Total assets.....	<u>8,670,296</u>	<u>8,877,968</u>
Liabilities:		
Current liabilities (excluding debt).....	161,068	135,743
Current debt.....	71,965	69,246
Noncurrent debt.....	5,023,060	5,096,916
Total liabilities.....	<u>5,256,093</u>	<u>5,301,905</u>
Net Assets:		
Capital assets net of related debt.....	431,595	338,554
Unrestricted.....	2,982,608	3,237,509
Total net assets.....	<u>\$ 3,414,203</u>	<u>\$ 3,576,063</u>
Program revenues:		
Charges for services.....	\$ 383,189	\$ 187,899
Special assessments.....	-	2,364,873
Operating grants and contributions.....	48,938	-
Total program revenues.....	<u>432,127</u>	<u>2,552,772</u>
General Revenues:		
Unrestricted investment income.....	1,406	624
Expenses.....	634,241	586,895
Transfers, net.....	<u>38,848</u>	<u>(2,600)</u>
Change in net assets.....	<u>\$ (161,860)</u>	<u>\$ 1,963,901</u>

Financial Analysis of the Governmental Funds

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

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

Fiscal year 2011 was the Town's initial year of implementation of GASB #54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The implementation of this standard changed the fund balance components into nonspendable, restricted, committed, assigned and unassigned. Additionally, under the new standard, the Town's stabilization fund is reported within the general fund as unassigned.

At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$6.2 million, an increase of \$1.3 million from the prior year. This is attributable to increases in the general fund, highway, community preservation, and nonmajor funds of \$861,000, \$22,000, \$262,000 and \$145,500, respectively.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3.1 million, while total fund balance equaled \$3.2 million. Included in assigned fund balance is the Town's stabilization fund which, at year end, totaled \$952,000. 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 8.8% of total general fund budgeted expenditures, while total fund balance represents 9.1% of that same amount.

The general fund increased by \$861,000 thousand. The increase was due to better than anticipated revenue collections and the turn back of unexpended appropriations.

The highway fund is used to account for road improvement funded primarily by Chapter 90 grant revenue. This major fund reported an increase of \$22,000 in fiscal 2012.

The community preservation fund is used to account for financial resources to purchase land for open space conservation land primarily through land bank surtax, intergovernmental revenue, and bond proceeds. This major fund experienced an increase of \$262,000.

General Fund Budgetary Highlights

There was a small increase of \$55,000 between the original budget and the final amended budget.

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$33.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment, park facilities, roads, highways, and bridges. The net decrease in the Town's investment in capital assets for the current year was \$826,000.

Major capital asset events during the current fiscal year included the inception of several capital leases, the water system going on-line, and the purchase of a truck.

Long-term debt. At the end of the current fiscal year, the Town had total bonded debt outstanding of \$1.7 and \$5.1 million for the governmental and business type activities, respectively.

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

Please refer to the Notes 4, 6 and 7 and for further discussion of capital asset and debt activity.

Other Matters

During the fiscal year the Town voted to establish an enterprise fund for its water operations.

Requests for Information

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

Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2012

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 7,195,964	\$ 833,108	\$ 8,029,072
Investments.....	1,270,807	-	1,270,807
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	616,348	-	616,348
Tax liens.....	655,046	-	655,046
Motor vehicle excise taxes.....	185,650	-	185,650
User fees.....	-	31,782	31,782
Departmental and other.....	413,364	-	413,364
Special assessments.....	19,888	130,781	150,669
Intergovernmental.....	572,891	-	572,891
Loans.....	18,495	-	18,495
Internal balances.....	78,772	-	78,772
Prepaid expenses.....	6,988	-	6,988
NONCURRENT:			
Special assessments.....	-	2,179,677	2,179,677
Tax foreclosures.....	335,147	-	335,147
Capital assets, nondepreciable.....	4,793,364	1,370,390	6,163,754
Capital assets, net of accumulated depreciation.....	22,957,052	4,124,558	27,081,610
TOTAL ASSETS.....	39,119,776	8,670,296	47,790,072
LIABILITIES			
CURRENT:			
Warrants payable.....	491,079	19,449	510,528
Accrued liabilities.....	29	36,300	36,329
Accrued payroll.....	250,376	2,032	252,408
Tax refunds payable.....	148,012	-	148,012
Accrued interest.....	37,351	103,287	140,638
Payroll withholdings.....	307,917	-	307,917
Customer deposits payable.....	327,209	-	327,209
Capital lease obligations.....	195,730	10,005	205,735
Compensated absences.....	353,467	-	353,467
Claims and judgments.....	100,000	-	100,000
Notes payable.....	858,182	-	858,182
Bonds payable.....	361,100	61,960	423,060
NONCURRENT:			
Capital lease obligations.....	829,476	21,667	851,143
Landfill.....	1,250,000	-	1,250,000
Compensated absences.....	510,252	-	510,252
Other postemployment benefits.....	12,490,952	-	12,490,952
Bonds payable.....	1,348,361	5,001,393	6,349,754
TOTAL LIABILITIES.....	19,859,493	5,256,093	25,115,586
NET ASSETS			
Invested in capital assets, net of related debt.....	25,182,773	431,595	25,614,368
Restricted for:			
Loans.....	18,495	-	18,495
Permanent funds:			
Expendable.....	443,316	-	443,316
Nonexpendable.....	165,464	-	165,464
Other specific purposes.....	3,890,339	-	3,890,339
Unrestricted.....	(10,440,104)	2,982,608	(7,457,496)
TOTAL NET ASSETS.....	\$ 19,260,283	\$ 3,414,203	\$ 22,674,486

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 3,197,991	\$ 156,541	\$ 610,168	\$ -	\$ (2,431,282)
Public safety.....	4,368,221	536,380	118,036	-	(3,713,805)
Education.....	31,149,544	607,950	13,898,339	-	(16,643,255)
Public works.....	2,195,594	117,328	-	264,033	(1,814,233)
Community preservation.....	130,464	-	-	164,053	33,589
Human services.....	841,204	247,905	136,083	-	(457,216)
Culture and recreation.....	637,662	23,148	17,288	-	(597,226)
Claims and judgments.....	100,000	-	-	-	(100,000)
Interest.....	113,039	-	-	-	(113,039)
Total Governmental Activities.....	42,733,719	1,689,252	14,779,914	428,086	(25,836,467)
<i>Business-Type Activities:</i>					
North Carver Water District.....	609,051	276,411	-	48,938	(283,702)
Cranberry Village.....	25,190	106,778	-	-	81,588
Total Business-Type Activities.....	634,241	383,189	-	48,938	(202,114)
Total Primary Government.....	\$ 43,367,960	\$ 2,072,441	\$ 14,779,914	\$ 477,024	\$ (26,038,581)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ (25,836,467)	\$ (202,114)	\$ (26,038,581)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	19,360,542	-	19,360,542
Tax liens.....	23,959	-	23,959
Motor vehicle and other excise taxes.....	1,264,276	-	1,264,276
Penalties and interest on taxes.....	193,084	-	193,084
Payments in lieu of taxes.....	27,053	-	27,053
Grants and contributions not restricted to specific programs.....	1,442,479	-	1,442,479
Unrestricted investment income.....	30,925	1,406	32,331
Miscellaneous.....	282,575	-	282,575
<i>Transfers, net</i>	<u>(38,848)</u>	<u>38,848</u>	<u>-</u>
Total general revenues and transfers.....	<u>22,586,045</u>	<u>40,254</u>	<u>22,626,299</u>
Change in net assets.....	(3,250,422)	(161,860)	(3,412,282)
<i>Net Assets:</i>			
Beginning of year (as revised).....	<u>22,510,705</u>	<u>3,576,063</u>	<u>26,086,768</u>
End of year.....	\$ <u><u>19,260,283</u></u>	\$ <u><u>3,414,203</u></u>	\$ <u><u>22,674,486</u></u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2012

ASSETS	General	Highway	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 3,071,972	\$ -	\$ 1,164,340	\$ 2,959,652	\$ 7,195,964
Investments.....	1,270,807	-	-	-	1,270,807
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	616,348	-	-	-	616,348
Tax liens.....	648,001	-	7,045	-	655,046
Motor vehicle excise taxes.....	185,650	-	-	-	185,650
Departmental and other.....	9,020	-	10,912	393,432	413,364
Community preservation surcharge.....	-	-	-	19,888	19,888
Intergovernmental.....	174,579	359,742	-	38,570	572,891
Loans.....	-	-	-	18,495	18,495
Tax foreclosures.....	334,591	-	556	-	335,147
Due from other funds.....	128,276	-	-	-	128,276
Prepaid expenses.....	6,988	-	-	-	6,988
TOTAL ASSETS.....	\$ 6,446,232	\$ 359,742	\$ 1,182,853	\$ 3,430,037	\$ 11,418,864
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants payable.....	\$ 340,714	\$ -	\$ 2,421	\$ 147,944	\$ 491,079
Accrued liabilities.....	-	-	-	29	29
Accrued payroll.....	238,023	-	48	12,305	250,376
Health claims payable.....	-	-	-	-	-
Tax refunds payable.....	148,000	-	12	-	148,012
Accrued interest on short-term debt.....	-	-	-	-	-
Liabilities due depositors.....	327,209	-	-	-	327,209
Payroll withholdings.....	307,917	-	-	-	307,917
Deferred revenues.....	1,819,932	359,742	18,513	440,614	2,638,801
Due to other funds.....	-	49,504	-	-	49,504
Court judgments.....	100,000	-	-	-	100,000
Notes payable.....	-	-	-	858,182	858,182
TOTAL LIABILITIES.....	3,281,795	409,246	20,994	1,459,074	5,171,109
FUND BALANCES:					
Nonspendable.....	-	-	-	165,464	165,464
Restricted.....	-	-	1,161,859	2,402,431	3,564,290
Committed.....	86,603	-	-	-	86,603
Assigned.....	22,920	-	-	-	22,920
Unassigned.....	3,054,914	(49,504)	-	(596,932)	2,408,478
TOTAL FUND BALANCES.....	3,164,437	(49,504)	1,161,859	1,970,963	6,247,755
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 6,446,232	\$ 359,742	\$ 1,182,853	\$ 3,430,037	\$ 11,418,864

See notes to basic financial statements.

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

JUNE 30, 2012

Total governmental fund balances.....		\$ 6,247,755
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		27,750,416
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		2,638,801
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(37,351)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds payable.....	(1,709,461)	
Capital lease obligations.....	(1,025,206)	
Unamortized premiums on bonds payable.....	(1,250,000)	
Other postemployment benefit obligations.....	(12,490,952)	
Compensated absences.....	<u>(863,719)</u>	
Net effect of reporting long-term liabilities.....		<u>(17,339,338)</u>
Net assets of governmental activities.....		<u>\$ 19,260,283</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

	General	Highway	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 18,873,722	\$ -	\$ -	\$ -	\$ 18,873,722
Tax liens.....	98,786	-	-	-	98,786
Motor vehicle and other excise taxes.....	1,290,252	-	-	-	1,290,252
Water charges.....	-	-	-	9,216	9,216
Penalties and interest on taxes.....	193,084	-	-	-	193,084
Payments in lieu of taxes.....	27,053	-	-	-	27,053
Fines and forfeitures.....	7,875	-	-	-	7,875
Intergovernmental.....	13,803,977	621,690	-	2,061,648	16,487,315
Departmental and other.....	500,012	-	-	1,688,711	2,188,723
Community preservation.....	-	-	507,314	-	507,314
Investment income.....	16,820	-	4,782	10,044	31,646
TOTAL REVENUES.....	34,811,581	621,690	512,096	3,769,619	39,714,986
EXPENDITURES:					
Current:					
General government.....	2,245,073	-	-	348,842	2,593,915
Public safety.....	3,492,035	-	-	245,202	3,737,237
Education.....	21,765,516	-	-	2,304,789	24,070,305
Public works.....	1,099,570	599,480	-	163,636	1,862,686
Human services.....	426,806	-	-	268,342	695,148
Culture and recreation.....	355,963	-	-	61,814	417,777
Pension benefits.....	3,479,725	-	-	-	3,479,725
Employee benefits.....	1,003,066	-	-	-	1,003,066
Claims and judgments.....	100,000	-	-	-	100,000
Community preservation.....	-	-	130,464	-	130,464
State and county charges.....	342,885	-	-	-	342,885
Capital lease payments.....	186,622	-	-	-	186,622
Debt service:					
Principal.....	261,100	-	100,000	-	361,100
Interest.....	59,650	-	19,620	-	79,270
TOTAL EXPENDITURES.....	34,818,011	599,480	250,084	3,392,625	39,060,200
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(6,430)	22,210	262,012	376,994	654,786
OTHER FINANCING SOURCES (USES):					
Capital lease financing.....	675,055	-	-	-	675,055
Transfers in.....	601,250	-	-	394,117	995,367
Transfers out.....	(408,473)	-	-	(625,742)	(1,034,215)
TOTAL OTHER FINANCING SOURCES (USES).....	867,832	-	-	(231,625)	636,207
NET CHANGE IN FUND BALANCES.....	861,402	22,210	262,012	145,369	1,290,993
FUND BALANCES AT BEGINNING OF YEAR (as revised).....	2,303,035	(71,714)	899,847	1,825,594	4,956,762
FUND BALANCES AT END OF YEAR.....	\$ 3,164,437	\$ (49,504)	\$ 1,161,859	\$ 1,970,963	\$ 6,247,755

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds.....	\$	1,290,993
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....		923,401
Depreciation expense.....		<u>(1,739,719)</u>
Net effect of reporting capital assets.....		(816,318)
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>		
		(192,841)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Capital lease financing.....		(675,055)
Capital lease principal payments.....		253,715
Debt service principal payments.....		<u>361,100</u>
Net effect of reporting long-term debt.....		(60,240)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....		(241,601)
Net change in accrued interest on long-term debt.....		(2,818)
Net change in other postemployment benefit obligations.....		<u>(3,227,597)</u>
Net effect of recording long-term liabilities.....		<u>(3,472,016)</u>
Change in net assets of governmental activities.....	\$	<u><u>(3,250,422)</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2012

	Business-type Activities - Enterprise Funds		
	North Carver Water District	Cranberry Village	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 642,585	\$ 190,523	\$ 833,108
Restricted cash and short-term investments.....	-	-	-
Investments.....	-	-	-
Receivables, net of allowance for uncollectibles:			
User fees.....	24,052	7,730	31,782
Special assessments.....	130,781	-	130,781
Total current assets.....	<u>797,418</u>	<u>198,253</u>	<u>995,671</u>
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special assessments.....	2,179,677	-	2,179,677
Capital assets, nondepreciable.....	1,370,390	-	1,370,390
Capital assets, net of accumulated depreciation.....	<u>4,124,558</u>	<u>-</u>	<u>4,124,558</u>
Total noncurrent assets.....	<u>7,674,625</u>	<u>-</u>	<u>7,674,625</u>
TOTAL ASSETS.....	<u>8,472,043</u>	<u>198,253</u>	<u>8,670,296</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	13,960	5,489	19,449
Accrued liabilities.....	36,300	-	36,300
Accrued payroll.....	2,032	-	2,032
Accrued interest.....	103,287	-	103,287
Capital lease obligations.....	10,005	-	10,005
Bonds payable.....	<u>61,960</u>	<u>-</u>	<u>61,960</u>
Total current liabilities.....	<u>227,544</u>	<u>5,489</u>	<u>233,033</u>
NONCURRENT:			
Capital lease obligations.....	21,667	-	21,667
Bonds payable.....	<u>5,001,393</u>	<u>-</u>	<u>5,001,393</u>
Total noncurrent liabilities.....	<u>5,023,060</u>	<u>-</u>	<u>5,023,060</u>
TOTAL LIABILITIES.....	<u>5,250,604</u>	<u>5,489</u>	<u>5,256,093</u>
NET ASSETS			
Invested in capital assets, net of related debt.....	2,611,272	-	2,611,272
Unrestricted.....	<u>610,167</u>	<u>192,764</u>	<u>802,931</u>
TOTAL NET ASSETS.....	<u>\$ 3,221,439</u>	<u>\$ 192,764</u>	<u>\$ 3,414,203</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2012

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>North Carver Water District</u>	<u>Cranberry Village</u>	<u>Total</u>
<u>OPERATING REVENUES:</u>			
Charges for services	\$ 276,411	\$ 106,778	\$ 383,189
Intergovernmental.....	48,938	-	48,938
TOTAL OPERATING REVENUES	325,349	106,778	432,127
<u>OPERATING EXPENSES:</u>			
Cost of services and administration	214,434	25,190	239,624
Utilities.....	31,079	-	31,079
Other.....	56,588	-	56,588
Depreciation.....	114,985	-	114,985
TOTAL OPERATING EXPENSES	417,086	25,190	442,276
OPERATING INCOME (LOSS).....	(91,737)	81,588	(10,149)
<u>NONOPERATING REVENUES (EXPENSES):</u>			
Investment income.....	682	724	1,406
Interest expense.....	(191,965)	-	(191,965)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(191,283)	724	(190,559)
INCOME (LOSS) BEFORE TRANSFERS.....	(283,020)	82,312	(200,708)
<u>TRANSFERS:</u>			
Transfers in.....	71,382	-	71,382
Transfers out.....	-	(32,534)	(32,534)
TOTAL TRANSFERS.....	71,382	(32,534)	38,848
CHANGE IN NET ASSETS.....	(211,638)	49,778	(161,860)
NET ASSETS AT BEGINNING OF YEAR, (as revised).....	3,433,077	142,986	3,576,063
NET ASSETS AT END OF YEAR.....	\$ 3,221,439	\$ 192,764	\$ 3,414,203

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Funds		
	North Carver Water District	Cranberry Village	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users.....	\$ 356,286	\$ 99,048	\$ 455,334
Payments to vendors.....	(166,423)	(19,701)	(186,124)
Payments to employees.....	(108,188)	-	(108,188)
NET CASH FROM OPERATING ACTIVITIES.....	81,675	79,347	161,022
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in.....	71,382	-	71,382
Transfers out.....	-	(32,534)	(32,534)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	71,382	(32,534)	38,848
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(105,217)	-	(105,217)
Principal payments on bonds and notes.....	(61,647)	-	(61,647)
Principal payments on capital lease obligations.....	(9,490)	-	(9,490)
Interest expense.....	(199,148)	-	(199,148)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(375,502)	-	(375,502)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income.....	682	724	1,406
NET CHANGE IN CASH AND SHORT-TERM INVESTMENTS.....	(221,763)	47,537	(174,226)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	864,348	142,986	1,007,334
CASH AND CASH EQUIVALENTS.....	\$ 642,585	\$ 190,523	\$ 833,108
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH			
FROM OPERATING ACTIVITIES:			
Operating income (loss).....	\$ (91,737)	\$ 81,588	\$ (10,149)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation.....	114,985	-	114,985
Changes in assets and liabilities:			
User fees.....	30,937	(7,730)	23,207
Warrants payable.....	(10,842)	5,489	(5,353)
Accrued liabilities.....	36,300	-	36,300
Accrued payroll.....	2,032	-	2,032
Total adjustments.....	173,412	(2,241)	171,171
NET CASH FROM OPERATING ACTIVITIES.....	\$ 81,675	\$ 79,347	\$ 161,022

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	<u>Agency Funds</u>
ASSETS	
CURRENT:	
Receivables, net of allowance for uncollectibles:	
Departmental and other.....	<u>135,480</u>
LIABILITIES	
Warrants payable.....	1,700
Accrued liabilities.....	3,387
Liabilities due depositors.....	51,621
Due to other funds.....	<u>78,772</u>
TOTAL LIABILITIES.....	<u>\$ 135,480</u>

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Carver, Massachusetts (Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

A. Reporting Entity

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

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. It has been determined that the Town has no component units that require inclusion in these basic financial statements.

B. Joint Ventures

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

The Town participates in several ventures with other municipalities to pool resources and share costs, risks and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specific recipients. Shown below is a listing of the Town's joint ventures, their purpose, and the annual assessment paid by the Town in Fiscal 2012.

Name	Purpose	Fiscal 2012 Assessment
Gateway Health Group Carver Town Hall, Carver MA	Employee and retiree health Insurance	\$ 929,863
Old Colony Regional Vocational Technical High School 476 North Avenue, Rochester, MA	To provide educational services	\$ 678,958
Carver, Marion, Wareham Regional Refuse Disposal District 2 Spring Street, Marion, MA	To provide refuse disposal facilities	\$ 35,961
Massachusetts Bay Regional Transit Authority 45 High Street, Boston, MA	Regional transportation services	\$ 28,508
Greater Attleborough/Taunton Regional Transit Authority 88 Broadway, Taunton, MA	Regional transportation services	\$ 46,336

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

C. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

Major Fund Criteria

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

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

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

Fiduciary funds are reported by fund type.

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

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

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

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after 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.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *highway fund* is used to account for financial resources required for the maintenance and construction of the Town's roads.

The *community preservation fund* is used to account for financial resources to purchase land for open space conservation land under the Community Preservation Act.

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

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

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets of the governmental funds.

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

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

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

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

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *private purpose trust fund* is used to account for resources held in trust for the benefit of persons and organizations other than the Town.

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

Government-Wide and Fund Financial Statements

For the government-wide financial statements, and proprietary and fiduciary fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

E. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on November 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year of the levy.

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

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

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

Motor Vehicle Excise

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

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

Community Preservation

Community Preservation surcharges are billed with the real estate and personal property tax levy and are 3% of the total real estate tax bill. These surcharges are due on November 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. The surcharges are recorded as receivables in the fiscal year of the levy.

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

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

Departmental and Other

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

Intergovernmental

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

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

Loans

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

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

G. Inventories***Government-Wide and Fund Financial Statements***

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

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

Capital assets, which include land, land improvements, buildings and facilities, building improvements, machinery and equipment, vehicles, drainage and water systems, infrastructure (e.g., roads, water mains, sewer mains, and similar items), and software, are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements.

Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

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

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

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

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

I. Interfund Receivables and Payables

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

Government-Wide Financial Statements

Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net assets as “internal balances”.

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as “Due from other funds” or “Due to other funds” on the balance sheet.

J. Interfund Transfers

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

Government-Wide Financial Statements

Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as “Transfers, net”.

Fund Financial Statements

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

K. Deferred Revenue

Deferred revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

L. Net Assets and Fund Equity*Government-Wide Financial Statements (Net Assets)*

Net assets are reported as restricted when amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net assets have been “restricted for” the following:

“Permanent funds - expendable” represents amounts held in trust for which the expenditures are restricted by various trust agreements.

“Permanent funds - nonexpendable” represents amounts held in trust for which only investment earnings may be expended.

“Other specific purposes” represents restrictions placed on assets from outside parties and consists primarily of gifts and grants.

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

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

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

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

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

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

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

M. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

N. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

O. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities.

P. Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets

and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

Q. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

R – Revision of Fund Balance and Net assets

The activities of Cranberry Village enterprise fund were previously reported as a nonmajor governmental fund. As a result, the beginning fund balance of the nonmajor governmental fund has been reduced and the beginning fund balance of Cranberry Village has been increased by \$142,986.

S – Fund Deficits

Fund deficits exist in the Highway Fund and Town Capital Projects Fund. These deficits will be fund through future bond proceeds and grant receipts.

NOTE 2 - CASH AND INVESTMENTS

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

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

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

Custodial credit risk for deposits is the risk that in event of a bank failure, the government's deposits may not be returned to it. The Town does not have a formal deposit policy covering custodial risk. At fiscal year-end, the carrying amount of deposits totaled \$8,008,404 and the bank balance totaled \$8,289,030. Of the bank balance, \$1,623,905 was covered by Federal Depository Insurance, \$5,373,485 was covered by the Depositors Insurance Fund, and \$1,291,640 was uninsured and uncollateralized.

Custodial credit risk for investments is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Town does not have a formal investment policy covering custodial risk. Of the investments of \$623,458 in government agencies, \$521,706 in government sponsored enterprises and \$86,230 corporate bonds, the government has custodial credit risk exposure totaling \$1,231,394 because the related securities are uninsured, unregistered and held by the counterparty. The Town does not have an investment policy for custodial credit risk.

Investment Type	Fair Value	Quality Ratings	
		AA+	BBB+
U.S. Treasury Notes.....	\$ 623,458	\$ 623,458	\$ -
Government Sponsored Enterprises.....	521,706	521,706	-
Corporate Bonds.....	86,230	60,840	25,390
Total.....	\$ 1,231,394	\$ 1,206,004	\$ 25,390

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

Investment Type	Fair Value	Investment Maturities (in years)	
		Less Than 1	1 to 5
<u>Debt Securities</u>			
U.S. Treasury Notes.....	\$ 623,458	\$ 100,875	\$ 522,583
U.S. Government Securities.....	521,706	-	521,706
Corporate Bonds.....	86,230	60,840	25,390
Total Debt Securities.....	1,231,394	\$ 161,715	\$ 1,069,679
<u>Other Investments</u>			
Equity Securities.....	754		
Equity Mutual Funds.....	38,659		
MMDT.....	20,668		
Total Investments.....	\$ 1,291,475		

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

NOTE 3 - RECEIVABLES

At June 30, 2012, receivables for the individual major, non-major governmental funds and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 643,641	\$ (27,293)	\$ 616,348
Tax liens.....	655,046	-	655,046
Motor vehicle and other excise taxes.....	234,075	(48,425)	185,650
Community preservation fund state share...	19,888	-	19,888
Departmental and other.....	449,618	(36,254)	413,364
Intergovernmental.....	572,891	-	572,891
Loans.....	18,495	-	18,495
Total.....	<u>\$ 2,593,654</u>	<u>\$ (111,972)</u>	<u>\$ 2,481,682</u>

At June 30, 2012, receivables for the North Carver Water District and Cranberry Village enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
User fees and special assessments.....	<u>\$ 2,342,240</u>	<u>\$ -</u>	<u>\$ 2,342,240</u>

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

COMPONENTS OF DEFERRED REVENUE

	General Fund	Highway	Community Preservation	Nonmajor Governmental Funds	Total
<u>Receivable type:</u>					
Real estate and personal property taxes.....	\$ 405,380	\$ -	\$ -	\$ -	\$ 405,380
Tax liens.....	1,086,767	-	-	-	1,086,767
Motor vehicle and other excise taxes.....	185,651	-	-	-	185,651
Community preservation fund state share....	-	-	18,513	-	18,513
Departmental and other.....	9,020	-	-	413,318	422,338
Intergovernmental.....	133,114	359,742	-	8,801	501,657
Loans.....	-	-	-	18,495	18,495
Total.....	<u>\$ 1,819,932</u>	<u>\$ 359,742</u>	<u>\$ 18,513</u>	<u>\$ 440,614</u>	<u>\$ 2,638,801</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 4,793,364	\$ -	\$ -	\$ 4,793,364
<u>Capital assets being depreciated:</u>				
Buildings and facilities.....	44,082,451	-	-	44,082,451
Improvements other than buildings.....	1,650,532	44,600	-	1,695,132
Machinery and equipment.....	853,258	794,110	(35,493)	1,611,875
Vehicles.....	5,581,949	84,691	(52,883)	5,613,757
Infrastructure.....	12,209,974	-	-	12,209,974
Total capital assets being depreciated.....	<u>64,378,164</u>	<u>923,401</u>	<u>(88,376)</u>	<u>65,213,189</u>
<u>Less accumulated depreciation for:</u>				
Buildings and facilities.....	(24,445,982)	(1,093,878)	-	(25,539,860)
Improvements other than buildings.....	(755,198)	(65,467)	-	(820,665)
Machinery and equipment.....	(628,209)	(53,393)	35,493	(646,109)
Vehicles.....	(4,225,594)	(268,791)	52,883	(4,441,502)
Infrastructure.....	(10,549,811)	(258,190)	-	(10,808,001)
Total accumulated depreciation.....	<u>(40,604,794)</u>	<u>(1,739,719)</u>	<u>88,376</u>	<u>(42,256,137)</u>
Total capital assets being depreciated, net.....	<u>23,773,370</u>	<u>(816,318)</u>	<u>-</u>	<u>22,957,052</u>
Total governmental activities capital assets, net.....	<u>\$ 28,566,734</u>	<u>\$ (816,318)</u>	<u>\$ -</u>	<u>\$ 27,750,416</u>

	Beginning Balance	Increases	Decreases	Ending Balance
North Carver Water District Enterprise Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,370,390	\$ -	\$ -	\$ 1,370,390
Construction in progress.....	4,087,108	-	(4,087,108)	-
Total capital assets not being depreciated.....	<u>5,457,498</u>	<u>-</u>	<u>(4,087,108)</u>	<u>1,370,390</u>
<u>Capital assets:</u>				
Buildings and facilities.....	-	2,976,573	-	2,976,573
Machinery and equipment.....	-	791,484	-	791,484
Vehicles.....	52,465	-	-	52,465
Infrastructure.....	-	424,268	-	424,268
Total capital assets being depreciated.....	<u>52,465</u>	<u>4,192,325</u>	<u>-</u>	<u>4,244,790</u>
<u>Less accumulated depreciation for:</u>				
Buildings and facilities.....	-	(74,415)	-	(74,415)
Machinery and equipment.....	-	(19,787)	-	(19,787)
Vehicles.....	(5,247)	(10,493)	-	(15,740)
Infrastructure.....	-	(10,290)	-	(10,290)
Total accumulated depreciation.....	<u>(5,247)</u>	<u>(114,985)</u>	<u>-</u>	<u>(120,232)</u>
Total capital assets being depreciated, net.....	<u>47,218</u>	<u>4,077,340</u>	<u>-</u>	<u>4,124,558</u>
Total water district capital assets, net.....	<u>\$ 5,504,716</u>	<u>\$ 4,077,340</u>	<u>\$ (4,087,108)</u>	<u>\$ 5,494,948</u>

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

Governmental Activities:	
General government.....	\$ 71,990
Public safety.....	145,740
Education.....	1,039,340
Public works.....	360,437
Human services.....	17,447
Culture and recreation.....	<u>104,765</u>
Total depreciation expense - governmental activities.....	<u>\$ 1,739,719</u>
Business-Type Activities:	
North Carver Water District.....	<u>\$ 114,985</u>

NOTE 5 – CAPITAL LEASES

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

The following identifies the assets acquired through capital lease agreements:

	Governmental Activities	Business-Type Activities
<u>Asset:</u>		
Machinery and equipment.....	\$ 1,895,287	52,639
Less: accumulated depreciation.....	(568,509)	(15,740)
Total.....	\$ 1,326,778	36,899

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012, were as follows:

Fiscal Years Ending June 30	Governmental Activities	Business-Type Activities
2013.....	\$ 241,332	\$ 11,722
2014.....	202,595	11,723
2015.....	202,593	11,722
2016.....	189,410	-
2017.....	132,040	-
2018.....	80,168	-
2019.....	48,545	-
2020.....	48,545	-
2021.....	48,545	-
Total minimum lease payments.....	1,193,773	35,167
Less: amounts representing interest.....	(168,567)	(3,495)
Present value of minimum lease payments.....	\$ 1,025,206	\$ 31,672

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

There were no receivables or payables between funds at June 30, 2012. Interfund transfers for the fiscal year ended June 30, 2012, are summarized as follows:

Operating Transfers Out:	Operating Transfers In:			
	General Fund	Nonmajor Governmental Funds	North Carver Water District	Total
General Fund.....	\$ -	\$ 394,117	\$ 14,356	\$ 408,473 (1)
Nonmajor Governmental Funds.....	598,650	-	27,092	625,742 (1)
Cranberry Village.....	2,600	-	29,934	32,534 (1)
Total.....	\$ 601,250	\$ 394,117	\$ 71,382	\$ 1,066,749

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

NOTE 6 - SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

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

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise fund, respectively. Details related to the short-term debt activity for the fiscal year ended June 30, 2012, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2011	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2012
Governmental Funds							
BAN	Municipal Purpose.....	1.04	3/23/2012	\$ 88,054	\$ -	\$ 88,054	\$ -
BAN	Municipal Purpose.....	1.04	3/23/2012	600,000	-	600,000	-
BAN	Municipal Purpose.....	1.04	6/28/2012	611,988	-	611,988	-
BAN	Municipal Purpose.....	0.60	3/22/2013	-	508,702	-	508,702
BAN	Municipal Purpose.....	0.55	5/31/2013	-	349,480	-	349,480
Total governmental funds.....				\$ 1,300,042	\$ 858,182	\$ 1,300,042	\$ 858,182

NOTE 7 - LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit". Details related to the outstanding indebtedness at June 30, 2012, and the debt service requirements are as follows:

Bonds and Notes Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2011	Issued	Redeemed	Outstanding at June 30, 2012
Town Hall Refunding.....	2017	1,185,000	3.27	\$ 783,000	-	134,000	\$ 649,000
Library Refunding.....	2017	969,000	3.27	621,000	-	116,000	505,000
Land Acquisition.....	2017	900,000	3.27	600,000	-	100,000	500,000
Septic System Betterment.....	2017	199,807	4.5-6.0	66,561	-	11,100	55,461
Total.....				\$ 2,070,561	\$ -	\$ 361,100	\$ 1,709,461

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

Year	Principal	Interest	Total
2013.....	\$ 361,100	\$ 57,191	\$ 418,291
2014.....	360,100	45,135	405,235
2015.....	357,100	33,102	390,202
2016.....	352,100	21,163	373,263
2017.....	279,061	9,388	288,449
Total.....	\$ 1,709,461	\$ 165,979	\$ 1,875,440

Bonds and Notes Payable Schedule – Enterprise Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2011	Issued	Redeemed	Outstanding at June 30, 2012
Water System Bond.....	2021	500,000	4.0-6.0	\$ 500,000	\$ -	\$ -	\$ 500,000
Water System Bond.....	2028	25,000	7.50	25,000	-	1,000	24,000
Water System Bond.....	2047	1,700,000	3.75	1,700,000	-	23,785	1,676,215
RZED Water Bond.....	2049	2,900,000	3.75	2,900,000	-	36,862	2,863,138
Total				\$ 5,125,000	\$ -	\$ 61,647	\$ 5,063,353

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013.....	\$ 61,960	\$ 197,346	\$ 259,306
2014.....	64,245	194,986	259,231
2015.....	66,617	192,539	259,156
2016.....	69,078	190,003	259,081
2017.....	171,631	184,625	356,256
2018.....	174,279	176,277	350,556
2019.....	177,027	167,579	344,606
2020.....	179,878	159,653	339,531
2021.....	183,836	152,619	336,455
2022.....	86,905	147,401	234,306
2023.....	90,089	144,067	234,156
2024.....	93,392	140,614	234,006
2025.....	96,820	137,036	233,856
2026.....	100,375	133,331	233,706
Thereafter.....	<u>3,447,221</u>	<u>1,697,393</u>	<u>5,144,614</u>
	<u>\$ 5,063,353</u>	<u>\$ 4,015,469</u>	<u>\$ 9,078,822</u>

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2012, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
School Feasibility Study.....	\$ 58,702
School Schematic Design.....	450,000
Dept. Equipment/Building Renovation.....	<u>349,480</u>
Total.....	<u>\$ 858,182</u>

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2012, the following changes occurred in long-term liabilities:

Governmental Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Long-Term Bonds and Notes.....	\$ 2,070,561	\$ -	\$ (361,100)	\$ 1,709,461	\$ 361,100
Capital Lease Obligations.....	603,866	675,055	(253,715)	1,025,206	195,730
Landfill.....	1,250,000	-	-	1,250,000	-
Compensated Absences.....	622,118	241,601	-	863,719	353,467
Other Postemployment Benefits....	<u>9,263,355</u>	<u>3,227,597</u>	<u>-</u>	<u>12,490,952</u>	<u>-</u>
Total.....	<u>\$ 13,809,900</u>	<u>\$ 4,144,253</u>	<u>\$ (614,815)</u>	<u>\$ 17,339,338</u>	<u>\$ 910,297</u>

Business-Type Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Long-Term Bonds and Notes.....	\$ 5,125,000	\$ -	\$ (61,647)	\$ 5,063,353	\$ 61,960
Capital Lease Obligations.....	41,162	-	(9,490)	31,672	10,005
Total.....	<u>\$ 5,166,162</u>	<u>\$ -</u>	<u>\$ (71,137)</u>	<u>\$ 5,095,025</u>	<u>\$ 71,965</u>

NOTE 8 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

As of June 30, 2012, the governmental fund balances consisted of the following:

	<u>General</u>	<u>Highway</u>	<u>Community Preservation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCES					
Nonspendable:					
Nonexpendable trust funds.....	\$ -	\$ -	\$ -	\$ 165,464	\$ 165,464
Restricted for:					
Highway major special revenue fund.....	-	-	1,161,859	-	1,161,859
Town gift and grant funds.....	-	-	-	84,234	84,234
Town receipts reserved.....	-	-	-	954,731	954,731
School lunch.....	-	-	-	32,797	32,797
School gift and grant funds.....	-	-	-	378,733	378,733
Town other special revenue funds.....	-	-	-	508,620	508,620
Expendable trust funds.....	-	-	-	443,316	443,316
Committed to:					
General government.....	34,910	-	-	-	34,910
Public safety.....	27,385	-	-	-	27,385
Education.....	20,057	-	-	-	20,057
Public works.....	1,927	-	-	-	1,927
Human services.....	2,314	-	-	-	2,314
Culture and recreation.....	10	-	-	-	10
Assigned to:					
General government.....	13,632	-	-	-	13,632
Public safety.....	2,950	-	-	-	2,950
Public works.....	6,338	-	-	-	6,338
Free cash used to balance Fy2013 budget.....	-	-	-	-	-
Unassigned.....	<u>3,054,914</u>	<u>(49,504)</u>	<u>-</u>	<u>(596,932)</u>	<u>2,408,478</u>
TOTAL FUND BALANCES (DEFICIT).....	\$ <u>3,164,437</u>	\$ <u>(49,504)</u>	\$ <u>1,161,859</u>	\$ <u>1,970,963</u>	\$ <u>6,247,755</u>

NOTE 9 - RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance.

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

The Town also participates in a premium-based workers' compensation insurance plan for its employees, except for police officers and firefighters for which the Town is self-insured. The Town's incurred but not reported claims for workers' compensation are not material at June 30, 2012, and therefore are not reported.

NOTE 10 - PENSION PLAN

Plan Description - The Town contributes to the Plymouth County Retirement Association (Association), a cost-sharing multiple-employer defined benefit pension plan administered by the Association. Substantially all employees are members of the Association, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$2,605,811 for the fiscal year ended June 30, 2012, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

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

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

Annual Pension Cost - The Town contributions to the System for the fiscal years ended June 30, 2012, 2011 and 2010 were \$1,321,858, \$1,276,399, and \$1,133,950, respectively, which equaled its required contribution for each fiscal year.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

Funding Policy – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 50 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 50 percent of their premium costs. For fiscal year 2012, contributions to the plan, totaled approximately \$1,125,000.

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

Annual required contribution.....	\$ 4,795,062
Interest on net OPEB obligation.....	370,533
Adjustment to annual required contribution.....	<u>(813,466)</u>
Annual OPEB cost (expense).....	4,352,129
Contributions made.....	<u>(1,124,532)</u>
Increase/Decrease in net OPEB obligation.....	3,227,597
Net OPEB obligation - beginning of year.....	<u>9,263,355</u>
Net OPEB obligation - end of year.....	<u>\$ 12,490,952</u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2012	\$ 4,352,129	26%	\$ 3,227,597
6/30/2011	4,471,028	8%	4,116,095
6/30/2010	3,340,373	25%	2,489,373

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$42,876,017 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan and the ratio of UAAL to the covered payroll was not available at June 30, 2012.

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

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that

are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011, actuarial valuation, actuarial liabilities were determined using the entry age normal cost method. The actuarial assumptions included a 4% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 11% initially, graded to 5% over 8 years and included a 2.5% inflation assumption. The amortization of UAAL is level dollar amortization over 30 years at transition. The remaining amortization period at June 30, 2012 is 27 years.

NOTE 12 - COMMITMENTS

The Town has entered into, or is planning to enter into contracts relating to various capital projects totaling approximately \$858,000.

NOTE 13 - CONTINGENCIES

The Town participates in a number of federal award programs. These programs are subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2012, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2012.

NOTE 14 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2012, the following GASB pronouncements were implemented:

- The GASB issued Statement #64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, an amendment of GASB Statement No. 53, which was implemented in fiscal year 2012 and did not impact the 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 was implemented in fiscal year 2012 and did not impact the financial statements.

Future implementation of GASB pronouncements:

- The GASB issued Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #61, *The Financial Reporting Entity: Omnibus*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013.

- The GASB issued Statement #65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2013.
- The GASB issued Statement #66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented in fiscal year 2013. Management is currently assessing the impact this pronouncement will have on the basic financial statements.
- The GASB issued Statement #67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which is required to be implemented in fiscal year 2015.

Management is currently assessing the impact the implementation of these standards will have on the Basic Financial Statements.

Required Supplementary Information

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

FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			
	Amounts Carried forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
REVENUES:				
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 17,872,594	\$ 17,872,594	\$ 17,872,594
Tax liens.....	-	-	-	-
Motor vehicle and other excise taxes.....	-	1,266,704	1,266,704	1,266,704
Penalties and interest on taxes.....	-	128,000	128,000	128,000
Payments in lieu of taxes.....	-	27,000	27,000	27,000
Fines and forfeitures.....	-	26,000	26,000	26,000
Intergovernmental.....	-	11,119,609	11,119,609	11,119,609
Departmental and other.....	-	329,263	329,263	329,263
Investment income.....	-	25,000	25,000	25,000
TOTAL REVENUES.....	-	30,794,170	30,794,170	30,794,170
EXPENDITURES:				
Current:				
General government.....	62,280	2,419,107	2,481,387	2,453,236
Public safety.....	10,729	2,920,612	2,931,341	3,053,252
Education.....	36,855	21,735,297	21,772,152	21,786,152
Public works.....	7,915	986,759	994,674	1,003,630
Human services.....	7,080	395,527	402,607	433,412
Culture and recreation.....	1,126	356,243	357,369	363,454
Pension benefits.....	-	871,125	871,125	873,914
Employee benefits.....	-	1,058,299	1,058,299	1,020,185
State and county charges.....	-	392,753	392,753	392,753
Capital lease payments.....	-	186,623	186,623	186,623
Debt service:				
Principal.....	-	261,101	261,101	261,101
Interest.....	-	148,302	148,302	85,302
TOTAL EXPENDITURES.....	125,985	31,731,748	31,857,733	31,913,014
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(125,985)	(937,578)	(1,063,563)	(1,118,844)
OTHER FINANCING SOURCES (USES):				
Transfers in.....	-	667,548	667,548	667,548
Transfers out.....	-	(409,203)	(409,203)	(409,203)
TOTAL OTHER FINANCING SOURCES (USES).....	-	258,345	258,345	258,345
NET CHANGE IN FUND BALANCE.....	(125,985)	(679,233)	(805,218)	(860,499)
BUDGETARY FUND BALANCE, Beginning of year.....	-	1,911,289	1,911,289	1,911,289
BUDGETARY FUND BALANCE, End of year.....	\$ (125,985)	\$ 1,232,056	\$ 1,106,071	\$ 1,050,790

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$ 18,250,465	\$ -	\$ 377,871
98,786	-	98,786
1,290,252	-	23,548
193,084	-	65,084
27,053	-	53
7,875	-	(18,125)
11,198,166	-	78,557
500,012	-	170,749
16,820	-	(8,180)
<u>31,582,513</u>	<u>-</u>	<u>788,343</u>
2,245,073	48,542	159,621
2,922,035	30,335	100,882
21,765,516	20,057	579
994,515	8,265	850
426,806	2,314	4,292
355,963	10	7,481
873,914	-	-
1,003,066	-	17,119
342,885	-	49,868
186,622	-	1
261,100	-	1
59,650	-	25,652
<u>31,437,145</u>	<u>109,523</u>	<u>366,346</u>
<u>145,368</u>	<u>(109,523)</u>	<u>1,154,689</u>
601,250	-	(66,298)
(408,473)	-	730
<u>192,777</u>	<u>-</u>	<u>(65,568)</u>
338,145		
<u>1,911,289</u>		
\$ <u>2,249,434</u>	\$	\$

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

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

The Town's share of the UAAL, as of January 1, 2011, is approximately 2.8%.

See notes to required supplementary information.

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

Plan Year Ended December 31	System Wide			Town of Carver	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contributions	(B/A) District's Percentage of System Wide Actual Contributions
2012	\$ 46,850,764	\$ 46,850,764	100%	\$ 1,321,858	2.82%
2011	45,039,921	45,039,921	100%	1,276,399	2.83%
2010	38,854,868	38,854,868	100%	1,133,950	2.92%

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

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

JUNE 30, 2012

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2011	\$ -	\$ 42,876,017	\$ 42,876,017	0%	N/A	N/A
7/1/2009	-	46,089,369	46,089,369	0%	19,638,719	234.7%
7/1/2007	-	31,951,212	31,951,212	0%	N/A	N/A

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2012	\$ 4,352,129	\$ 1,124,532	26%
2011	4,471,028	354,933	8%
2010	3,340,373	851,000	25%

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

FISCAL YEAR ENDED JUNE 30, 2012

Actuarial Methods:

Valuation date	July 1, 2011
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar amortization over 30 years at transition
Remaining amortization period	27 years

Actuarial Assumptions:

Investment rate of return	4.00%
Medical/drug cost trend rate	9% graded to 5% over 7 years
Annual Compensation Increases	3.00%

Plan Membership:

Active members	179
Retirees/Disabled	<u>319</u>
Total	<u><u>498</u></u>

See notes to required supplementary information.

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

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting. The Board of Selectmen and Finance Committee present an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote.

Increases or transfers between and within departments subsequent to the approval of the annual budget, requires majority Town Meeting approval via a supplemental appropriation.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year. These carry forwards are included as part of the subsequent fiscal year's original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote of Town Meeting.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2012 approved budget authorized \$32.3 million in appropriations and other amounts to be raised and \$126,000 in encumbrances and appropriations carried over from previous fiscal years. During fiscal year 2012, Town Meeting approved an increase in original appropriations totaling \$55,000.

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

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2012, is presented below:

Net change in fund balance - budgetary basis.....	\$	338,145
Basis of accounting differences:		
Increase in revenues due adjustments for modified accrual basis of accounting.....		771,257
Net change in tax refunds payable.....		(148,000)
Recognition of expenditures due to modified accrual basis.....		(100,000)
Increase in revenues due to on-behalf payments.....		2,605,811
Increase in expenditures due to on-behalf payments.....		<u>(2,605,811)</u>
Net change in fund balance - GAAP basis.....	\$	<u>861,402</u>

NOTE B – PENSION PLAN

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

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

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

Actuarial Methods and Assumptions:

Valuation Date.....	January 1, 2011
Actuarial Cost Method.....	Entry Age Normal Cost Method
Amortization Method.....	Increasing at 4.5% per year
Remaining Amortization Period.....	19 years remaining as of January 1, 2011
Asset Valuation Method.....	Assets held by the fund are valued at market value as reported by the Public Employees' Retirement Administration Commission (PERAC). The actuarial value is based on a 5 year smoothing of realized and unrealized investment earnings greater than or less than the expected return. The result must be within 20% of market

Actuarial Assumptions:

Investment rate of return.....	8.30%
Projected salary increases.....	4.50%
Cost of living adjustments.....	3.0% for the first \$13,000 of retirement income

Plan Membership:

Retired participants and beneficiaries receiving benefits.....	3,088
Inactive participants.....	2,115
Disabled participants.....	5,775
Active participants.....	<u>354</u>
Total.....	<u><u>11,332</u></u>

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

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

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

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

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

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