

TOWN OF CARVER, MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2013

TOWN OF CARVER, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Carver, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Carver, Massachusetts, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Carver, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Carver, Massachusetts, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2014 on our consideration of the Town of Carver, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Carver, Massachusetts' internal control over financial reporting and compliance.



February 10, 2014

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, 2013. We encourage readers to consider the information presented in this report.

Overview of the Financial Statements

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

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

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

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

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

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the 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.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Carver, assets exceeded liabilities by \$19.6 million at the close of fiscal year 2013. Key components of the Town's governmental financial position are listed below.

Net position of \$25.9 million reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net position \$4.9 million represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of unrestricted net position totals \$11.3 million.

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

Governmental Activities

The Town of Carver's assets exceeded liabilities for governmental activities by \$17 million at the close of fiscal year 2013.

The following table provides a summary of the financial highlights of the Town's governmental activities for fiscal year 2013 and fiscal year 2012.

	<u>2013</u>	<u>2012</u>
Assets:		
Current assets.....	\$ 12,164,572	\$ 11,034,213
Noncurrent assets (excluding capital).....	372,327	335,147
Capital assets.....	<u>27,383,770</u>	<u>27,750,416</u>
Total assets.....	<u>39,920,669</u>	<u>39,119,776</u>
Liabilities:		
Current liabilities (excluding debt).....	2,253,448	2,015,440
Noncurrent liabilities (excluding debt).....	17,638,643	14,251,204
Current debt.....	1,131,252	1,415,012
Noncurrent debt.....	<u>1,888,797</u>	<u>2,177,837</u>
Total liabilities.....	<u>22,912,140</u>	<u>19,859,493</u>
Net Position:		
Net investment in capital assets.....	25,476,697	25,182,773
Restricted.....	4,896,213	4,517,614
Unrestricted.....	<u>(13,364,381)</u>	<u>(10,440,104)</u>
Total net position.....	<u>\$ 17,008,529</u>	<u>\$ 19,260,283</u>
Program Revenues:		
Charges for services.....	\$ 2,237,012	\$ 1,689,252
Operating grants and contributions.....	15,161,787	14,779,914
Capital grants and contributions.....	<u>376,133</u>	<u>428,086</u>
Total program revenues.....	<u>17,774,932</u>	<u>16,897,252</u>
General Revenues:		
Real estate and personal property taxes.....	19,320,152	19,360,542
Tax liens.....	134,108	23,959
Motor vehicle and other excise taxes.....	1,404,828	1,264,276
Penalties and interest on taxes.....	195,695	193,084
Payments in lieu of taxes.....	120,808	27,053
Grants and contributions not restricted to specific programs.....	1,338,970	1,442,479
Unrestricted investment income.....	32,595	30,925
Miscellaneous.....	<u>315,088</u>	<u>282,575</u>
Total general revenues.....	<u>22,862,244</u>	<u>22,624,893</u>
Expenses:		
General government.....	3,033,682	3,197,991
Public safety.....	4,420,229	4,368,221
Education.....	31,841,725	31,149,544
Public works.....	1,922,196	2,195,594
Community Preservation.....	98,608	130,464
Human services.....	733,328	841,204
Culture and recreation.....	629,321	637,662
Claims and judgments.....	-	100,000
Interest.....	<u>195,916</u>	<u>113,039</u>
Total expenses.....	<u>42,875,005</u>	<u>42,733,719</u>
Transfers, net.....	<u>(13,925)</u>	<u>(38,848)</u>
Change in net position.....	<u>(2,251,754)</u>	<u>(3,250,422)</u>
Net position - beginning.....	<u>19,260,283</u>	<u>22,510,705</u>
Net position - ending.....	<u>\$ 17,008,529</u>	<u>\$ 19,260,283</u>

The governmental activities net position decreased by \$2.3 million during the current fiscal year. This decrease was primarily the result of \$3.4 million increase in the OPEB liability offset by positive budgetary results.

Business-type Activities

For the Town's business-type activities, assets exceeded liabilities by \$2.5 million at the close of fiscal year 2013. There was a decrease of \$450,000 in net position reported in connection with the business-type activities. The following table provides a summary of the financial highlights of the enterprise funds for fiscal year 2013 and fiscal year 2012.

	<u>2013</u>	<u>2012</u>
Assets:		
Current assets.....	\$ 525,481	\$ 995,671
Noncurrent assets (excluding capital).....	1,728,195	2,179,677
Capital assets.....	<u>5,438,114</u>	<u>5,494,948</u>
Total assets.....	<u>7,691,790</u>	<u>8,670,296</u>
Liabilities:		
Current liabilities (excluding debt).....	120,341	161,068
Current debt.....	74,832	71,965
Noncurrent debt.....	<u>4,949,091</u>	<u>5,023,060</u>
Total liabilities.....	<u>5,144,264</u>	<u>5,256,093</u>
Net Position:		
Net investment in capital assets.....	435,858	431,595
Unrestricted.....	<u>2,111,668</u>	<u>2,982,608</u>
Total net position.....	<u>\$ 2,547,526</u>	<u>\$ 3,414,203</u>
Program revenues:		
Charges for services.....	\$ 168,868	\$ 383,189
Operating grants and contributions.....	<u>-</u>	<u>48,938</u>
Total program revenues.....	<u>168,868</u>	<u>432,127</u>
General Revenues:		
Unrestricted investment income.....	962	1,406
Expenses:		
North Carver Water District.....	588,732	609,051
Cranberry Village.....	<u>45,303</u>	<u>25,190</u>
Total expenses.....	634,035	634,241
Transfers, net	<u>13,925</u>	<u>38,848</u>
Change in net position	(450,280)	(161,860)
Net position - beginning (as revised)	<u>2,997,806</u>	<u>3,576,063</u>
Net position - ending	<u>\$ 2,547,526</u>	<u>\$ 3,414,203</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.

At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$7.7 million, an increase of \$1.5 million from the prior year. This is attributable to increases in the general fund and nonmajor funds of \$566,000 and \$899,000, 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 \$3.3 million, while total fund balance equaled \$3.7 million. Included in unassigned fund balance is the Town's stabilization fund which, at year end, totaled \$973,685. Included in committed fund balance is the Town's capital building stabilization fund which, at year end, totaled \$180,685. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 9.1% of total general fund budgeted expenditures, while total fund balance represents 10.4% of that same amount.

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

General Fund Budgetary Highlights

The Town adopts an annual budget for the general fund. The original fiscal year 2013 approved budget for the general fund authorized approximately \$33.1 million in appropriations and other amounts to be raised. During fiscal year 2013, Town Meeting also approved supplemental appropriations totaling approximately \$322,000. The most significant of this change included \$63,000 for debt service, \$100,000 for court judgments and \$77,000 in public safety.

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to \$32.8 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, system improvements, machinery and equipment, park facilities, vehicles, roads, highways, and bridges.

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

Long-term debt. At the end of the current fiscal year, the Town had total bonded debt outstanding of \$1.3 million and \$5 million for the governmental and business-type activities, respectively.

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

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

Other Matters

At the November 2013 Special Town Meeting it was voted to expend \$8.75 million for the design and construction of a Central Fire Station/Training Facility.

Requests for Information

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

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2013

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 8,824,920	\$ 425,643	\$ 9,250,563
Investments.....	269,980	-	269,980
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	667,312	-	667,312
Tax liens.....	650,469	-	650,469
Motor vehicle excise taxes.....	216,796	-	216,796
User fees.....	-	42,623	42,623
Departmental and other.....	528,024	-	528,024
Special assessments.....	31,398	57,215	88,613
Intergovernmental.....	828,900	-	828,900
Loans.....	18,495	-	18,495
Internal balances.....	121,290	-	121,290
Prepaid expenses.....	6,988	-	6,988
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special assessments.....	-	1,728,195	1,728,195
Tax foreclosures.....	372,327	-	372,327
Capital assets, nondepreciable.....	5,081,053	1,370,390	6,451,443
Capital assets, net of accumulated depreciation.....	<u>22,302,717</u>	<u>4,067,724</u>	<u>26,370,441</u>
TOTAL ASSETS.....	<u>39,920,669</u>	<u>7,691,790</u>	<u>47,612,459</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	870,206	18,378	888,584
Accrued liabilities.....	37	-	37
Accrued payroll.....	282,770	-	282,770
Accrued interest.....	29,467	101,963	131,430
Payroll withholdings.....	237,339	-	237,339
Customer deposits payable.....	353,414	-	353,414
Capital lease obligations.....	212,481	10,548	223,029
Landfill.....	130,000	-	130,000
Compensated absences.....	350,215	-	350,215
Notes payable.....	558,671	-	558,671
Bonds payable.....	360,100	64,284	424,384
NONCURRENT:			
Capital lease obligations.....	900,495	11,119	911,614
Landfill.....	1,273,000	-	1,273,000
Compensated absences.....	507,977	-	507,977
Other postemployment benefits.....	15,857,666	-	15,857,666
Bonds payable.....	<u>988,302</u>	<u>4,937,972</u>	<u>5,926,274</u>
TOTAL LIABILITIES.....	<u>22,912,140</u>	<u>5,144,264</u>	<u>28,056,404</u>
NET POSITION			
Net investment in capital assets.....	25,476,697	435,858	25,912,555
Restricted for:			
Loans.....	18,495	-	18,495
Permanent funds:			
Expendable.....	352,809	-	352,809
Nonexpendable.....	165,464	-	165,464
Other specific purposes.....	4,359,445	-	4,359,445
Unrestricted.....	<u>(13,364,381)</u>	<u>2,111,668</u>	<u>(11,252,713)</u>
TOTAL NET POSITION.....	<u>\$ 17,008,529</u>	<u>\$ 2,547,526</u>	<u>\$ 19,556,055</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2013

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.....	\$ 3,033,682	\$ 178,113	\$ 538,927	\$ -	\$ (2,316,642)
Public safety.....	4,420,229	1,053,843	67,834	196	(3,298,356)
Education.....	31,841,725	614,928	14,386,893	-	(16,839,904)
Public works.....	1,922,196	92,577	-	207,239	(1,622,380)
Community preservation.....	98,608	-	-	168,698	70,090
Human services.....	733,328	279,744	151,489	-	(302,095)
Culture and recreation.....	629,321	17,807	16,644	-	(594,870)
Interest.....	195,916	-	-	-	(195,916)
Total Governmental Activities.....	<u>42,875,005</u>	<u>2,237,012</u>	<u>15,161,787</u>	<u>376,133</u>	(25,100,073)
<i>Business-Type Activities:</i>					
North Carver Water District.....	588,732	90,908	-	-	(497,824)
Cranberry Village.....	45,303	77,960	-	-	32,657
Total Business-Type Activities.....	<u>634,035</u>	<u>168,868</u>	<u>-</u>	<u>-</u>	(465,167)
Total Primary Government.....	<u>\$ 43,509,040</u>	<u>\$ 2,405,880</u>	<u>\$ 15,161,787</u>	<u>\$ 376,133</u>	<u>\$ (25,565,240)</u>

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (25,100,073)	\$ (465,167)	\$ (25,565,240)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	19,320,152	-	19,320,152
Tax liens.....	134,108	-	134,108
Motor vehicle and other excise taxes.....	1,404,828	-	1,404,828
Penalties and interest on taxes.....	195,695	-	195,695
Payments in lieu of taxes.....	120,808	-	120,808
Grants and contributions not restricted to specific programs.....	1,338,970	-	1,338,970
Unrestricted investment income.....	32,595	962	33,557
Miscellaneous.....	315,088	-	315,088
<i>Transfers, net</i>	<u>(13,925)</u>	<u>13,925</u>	<u>-</u>
Total general revenues and transfers.....	<u>22,848,319</u>	<u>14,887</u>	<u>22,863,206</u>
Change in net position.....	(2,251,754)	(450,280)	(2,702,034)
<i>Net Position:</i>			
Beginning of year (as revised).....	<u>19,260,283</u>	<u>2,997,806</u>	<u>22,258,089</u>
End of year.....	\$ <u><u>17,008,529</u></u>	\$ <u><u>2,547,526</u></u>	\$ <u><u>19,556,055</u></u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2013

ASSETS	General	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 4,528,580	\$ 4,296,340	\$ 8,824,920
Investments.....	269,980	-	269,980
Receivables, net of uncollectibles:			
Real estate and personal property taxes.....	667,312	-	667,312
Tax liens.....	642,139	8,330	650,469
Motor vehicle excise taxes.....	216,796	-	216,796
Departmental and other.....	15,572	512,452	528,024
Community preservation surcharge.....	-	31,398	31,398
Intergovernmental.....	207,408	621,492	828,900
Loans.....	-	18,495	18,495
Tax foreclosures.....	371,712	615	372,327
Due from other funds.....	121,290	-	121,290
Prepaid expenses.....	6,988	-	6,988
TOTAL ASSETS.....	\$ 7,047,777	\$ 5,489,122	\$ 12,536,899
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Warrants payable.....	\$ 561,277	\$ 308,929	\$ 870,206
Accrued liabilities.....	-	37	37
Accrued payroll.....	241,582	41,188	282,770
Liabilities due depositors.....	353,414	-	353,414
Payroll withholdings.....	237,339	-	237,339
Deferred revenues.....	1,923,538	598,049	2,521,587
Notes payable.....	-	558,671	558,671
TOTAL LIABILITIES.....	3,317,150	1,506,874	4,824,024
FUND BALANCES:			
Nonspendable.....	-	165,464	165,464
Restricted.....	-	4,163,709	4,163,709
Committed.....	338,296	-	338,296
Assigned.....	120,272	-	120,272
Unassigned.....	3,272,059	(346,925)	2,925,134
TOTAL FUND BALANCES.....	3,730,627	3,982,248	7,712,875
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 7,047,777	\$ 5,489,122	\$ 12,536,899

See notes to basic financial statements.

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

JUNE 30, 2013

Total governmental fund balances.....	\$	7,712,875
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		27,383,770
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....		2,521,587
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....		(29,467)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds payable.....	(1,348,402)	
Capital lease obligations.....	(1,112,976)	
Landfill liability.....	(1,403,000)	
Other postemployment benefit obligations.....	(15,857,666)	
Compensated absences.....	<u>(858,192)</u>	
Net effect of reporting long-term liabilities.....		<u>(20,580,236)</u>
Net position of governmental activities.....	\$	<u>17,008,529</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2013

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Real estate and personal property taxes, net of tax refunds.....	\$ 18,964,402	\$ -	\$ 18,964,402
Tax liens.....	97,673	-	97,673
Motor vehicle and other excise taxes.....	1,373,684	-	1,373,684
Water charges.....	-	566	566
Penalties and interest on taxes.....	195,695	-	195,695
Payments in lieu of taxes.....	120,808	-	120,808
Fines and forfeitures.....	5,996	-	5,996
Intergovernmental.....	14,158,467	2,822,402	16,980,869
Departmental and other.....	608,149	1,861,553	2,469,702
Community preservation.....	-	512,228	512,228
Investment income.....	38,794	(6,027)	32,767
TOTAL REVENUES.....	35,563,668	5,190,722	40,754,390
EXPENDITURES:			
Current:			
General government.....	2,247,957	400,924	2,648,881
Public safety.....	3,015,338	318,420	3,333,758
Education.....	22,368,827	2,336,814	24,705,641
Public works.....	1,190,712	540,222	1,730,934
Human services.....	446,215	211,334	657,549
Culture and recreation.....	369,019	31,255	400,274
Pension benefits.....	3,934,207	-	3,934,207
Employee benefits.....	1,075,388	-	1,075,388
Community preservation.....	-	98,608	98,608
State and county charges.....	273,347	-	273,347
Capital lease payments.....	241,318	-	241,318
Debt service:			
Principal.....	261,100	100,000	361,100
Interest.....	140,923	16,350	157,273
TOTAL EXPENDITURES.....	35,564,351	4,053,927	39,618,278
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(683)	1,136,795	1,136,112
OTHER FINANCING SOURCES (USES):			
Capital lease financing.....	342,933	-	342,933
Transfers in.....	539,976	299,511	839,487
Transfers out.....	(316,036)	(537,376)	(853,412)
TOTAL OTHER FINANCING SOURCES (USES).....	566,873	(237,865)	329,008
NET CHANGE IN FUND BALANCES.....	566,190	898,930	1,465,120
FUND BALANCES AT BEGINNING OF YEAR.....	3,164,437	3,083,318	6,247,755
FUND BALANCES AT END OF YEAR.....	\$ 3,730,627	\$ 3,982,248	\$ 7,712,875

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, 2013

Net change in fund balances - total governmental funds.....		\$ 1,465,120
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	1,393,685	
Depreciation expense.....	<u>(1,760,331)</u>	
Net effect of reporting capital assets.....		(366,646)
<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>		
		(117,214)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Capital lease financing.....	(342,933)	
Capital lease principal payments.....	255,163	
Debt service principal payments.....	<u>361,100</u>	
Net effect of reporting long-term debt.....		273,330
<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.....	5,527	
Net change in accrued interest on long-term debt.....	7,843	
Net change in landfill liability.....	(153,000)	
Net change in other postemployment benefit obligations.....	<u>(3,366,714)</u>	
Net effect of recording long-term liabilities.....		<u>(3,506,344)</u>
Change in net position of governmental activities.....		<u>\$ (2,251,754)</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2013

	Business-type Activities - Enterprise Funds		
	North Carver Water District	Cranberry Village	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 233,428	\$ 192,215	\$ 425,643
Receivables, net of allowance for uncollectibles:			
User fees.....	29,740	12,883	42,623
Special assessments.....	57,215	-	57,215
Total current assets.....	<u>320,383</u>	<u>205,098</u>	<u>525,481</u>
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special assessments.....	1,728,195	-	1,728,195
Capital assets, nondepreciable.....	1,370,390	-	1,370,390
Capital assets, net of accumulated depreciation.....	4,067,724	-	4,067,724
Total noncurrent assets.....	<u>7,166,309</u>	<u>-</u>	<u>7,166,309</u>
TOTAL ASSETS.....	<u>7,486,692</u>	<u>205,098</u>	<u>7,691,790</u>
LIABILITIES			
CURRENT:			
Warrants payable.....	15,566	2,812	18,378
Accrued interest.....	101,963	-	101,963
Capital lease obligations.....	10,548	-	10,548
Bonds payable.....	64,284	-	64,284
Total current liabilities.....	<u>192,361</u>	<u>2,812</u>	<u>195,173</u>
NONCURRENT:			
Capital lease obligations.....	11,119	-	11,119
Bonds payable.....	4,937,972	-	4,937,972
Total noncurrent liabilities.....	<u>4,949,091</u>	<u>-</u>	<u>4,949,091</u>
TOTAL LIABILITIES.....	<u>5,141,452</u>	<u>2,812</u>	<u>5,144,264</u>
NET POSITION			
Invested in capital assets, net of related debt.....	2,164,053	-	2,164,053
Unrestricted.....	181,187	202,286	383,473
TOTAL NET POSITION.....	<u>\$ 2,345,240</u>	<u>\$ 202,286</u>	<u>\$ 2,547,526</u>

See notes to basic financial statements.

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

FISCAL YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds		
	North Carver Water District	Cranberry Village	Total
OPERATING REVENUES:			
Charges for services	\$ 90,908	\$ 77,960	\$ 168,868
OPERATING EXPENSES:			
Cost of services and administration	96,642	45,303	141,945
Utilities.....	30,620	-	30,620
Other.....	127,651	-	127,651
Depreciation.....	136,079	-	136,079
TOTAL OPERATING EXPENSES	390,992	45,303	436,295
OPERATING INCOME (LOSS).....	(300,084)	32,657	(267,427)
NONOPERATING REVENUES (EXPENSES):			
Investment income.....	246	716	962
Interest expense.....	(197,740)	-	(197,740)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(197,494)	716	(196,778)
INCOME (LOSS) BEFORE TRANSFERS.....	(497,578)	33,373	(464,205)
TRANSFERS:			
Transfers in.....	37,776	-	37,776
Transfers out.....	-	(23,851)	(23,851)
TOTAL TRANSFERS.....	37,776	(23,851)	13,925
CHANGE IN NET POSITION.....	(459,802)	9,522	(450,280)
NET POSITION AT BEGINNING OF YEAR (as revised).....	2,805,042	192,764	2,997,806
NET POSITION AT END OF YEAR.....	\$ 2,345,240	\$ 202,286	\$ 2,547,526

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2013

	Business-type Activities - Enterprise Funds		
	North Carver Water District	Cranberry Village	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users.....	\$ 193,871	\$ 72,807	\$ 266,678
Payments to vendors.....	(235,223)	(47,980)	(283,203)
Payments to employees.....	(56,416)	-	(56,416)
NET CASH FROM OPERATING ACTIVITIES.....	(97,768)	24,827	(72,941)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in.....	37,776	-	37,776
Transfers out.....	-	(23,851)	(23,851)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	37,776	(23,851)	13,925
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(79,245)	-	(79,245)
Principal payments on bonds and notes.....	(61,097)	-	(61,097)
Principal payments on capital lease obligations.....	(10,005)	-	(10,005)
Interest expense.....	(199,064)	-	(199,064)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(349,411)	-	(349,411)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income.....	246	716	962
NET CHANGE IN CASH AND SHORT-TERM INVESTMENTS.....	(409,157)	1,692	(407,465)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	642,585	190,523	833,108
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 233,428	\$ 192,215	\$ 425,643
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:			
Operating income (loss).....	\$ (300,084)	\$ 32,657	\$ (267,427)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation.....	136,079	-	136,079
Changes in assets and liabilities:			
User fees.....	102,963	(5,153)	97,810
Warrants payable.....	1,606	(2,677)	(1,071)
Accrued liabilities.....	(36,300)	-	(36,300)
Accrued payroll.....	(2,032)	-	(2,032)
Total adjustments.....	202,316	(7,830)	194,486
NET CASH FROM OPERATING ACTIVITIES.....	\$ (97,768)	\$ 24,827	\$ (72,941)

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2013

	<u>Agency Funds</u>
ASSETS	
CURRENT:	
Receivables, net of allowance for uncollectibles:	
Departmental and other.....	\$ <u>135,480</u>
LIABILITIES	
Warrants payable.....	978
Accrued liabilities.....	2,027
Liabilities due depositors.....	11,185
Due to other funds.....	<u>121,290</u>
TOTAL LIABILITIES.....	\$ <u><u>135,480</u></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 of Carver, Massachusetts is a municipal corporation that is governed by an elected Board of Selectmen.

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

B. Joint Ventures

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

The Town participates in several ventures with other municipalities to pool resources and share costs, risks and rewards of providing goods or services to venture participants directly, or for the benefit of the general public or specific recipients. Shown below is a listing of the Town's joint ventures, their purpose, and the annual assessment paid by the Town in fiscal year 2013.

Name	Purpose	Fiscal 2013 Assessment
Gateway Health Group Carver Town Hall, Carver MA	Employee and retiree health Insurance	\$ 5,712,504
Old Colony Regional Vocational Technical High School 476 North Avenue, Rochester, MA	To provide educational services	\$ 743,719
Carver, Marion, Wareham Regional Refuse Disposal District 2 Spring Street, Marion, MA	To provide refuse disposal facilities	\$ 19,525
Massachusetts Bay Regional Transit Authority 45 High Street, Boston, MA	Regional transportation services	\$ 27,349
Greater Attleborough/Taunton Regional Transit Authority 88 Broadway, Taunton, MA	Regional transportation services	\$ 47,494

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

C. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

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

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

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

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

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

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

The following fiduciary fund types are reported:

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

E. Cash and Investments

Government-Wide and Fund Financial Statements

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

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the 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 August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. The surcharges are recorded as receivables in the 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, buildings and facilities, improvements other than building, machinery and equipment, vehicles, drainage and water systems, infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements, and the proprietary fund financial statements.

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

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

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

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

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

Governmental Fund Financial Statements

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

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Town did not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town did not have any items that qualify for reporting in this category.

J. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

K. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

L. 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.

M. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

Net position reported as “net investment in capital assets” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets.

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

Net position has been “restricted for” the following:

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

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

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

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

Fund Financial Statements (Fund Balances)

Governmental fund 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.

N. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

O. Investment Income

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

P. Compensated Absences

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

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

Q. Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

R. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

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.

T. Revised Net Position and Fund Balance

The North Carver Water District's beginning net position has been revised by \$416,397 to account for a change in the reporting of special assessment betterments.

NOTE 2 - CASH AND INVESTMENTS

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

Statutes authorize the Town to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool. 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 (Pool).

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 \$9,196,513 and the bank balance totaled \$9,395,980. Of the bank balance, \$1,956,165 was covered by Federal Depository Insurance, \$5,166,874 was covered by the Depositors Insurance Fund, and \$2,272,941 was uninsured and uncollateralized.

Investments:

<u>Investment Type</u>	<u>Fair Value</u>
<u>Debt Securities</u>	
U.S. Treasury Notes.....	\$ 24,160
U.S. Government Securities.....	40,288
Corporate Bonds.....	<u>70,954</u>
Total Debt Securities.....	135,402
<u>Other Investments</u>	
Equity Securities.....	61,371
Equity Mutual Funds.....	73,207
Money Market Mutual Funds.....	33,337
MMDT.....	<u>20,713</u>
Total Investments.....	<u>\$ 324,030</u>

Custodial credit risk for investments is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Town does not have a formal investment policy covering custodial risk. Of the investments including \$24,160 in government agencies, \$40,288 in government sponsored enterprises and \$70,954 of corporate bonds, the government has custodial credit risk exposure totaling \$135,402 because the related securities are uninsured, unregistered and held by the counterparty. The Town does not have an investment policy for custodial credit risk.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>	
		<u>AA+</u>	<u>BBB+</u>
U.S. Treasury Notes.....	\$ 24,160	\$ 24,160	\$ -
Government Sponsored Enterprises.....	40,288	40,288	-
Corporate Bonds.....	<u>70,954</u>	<u>45,621</u>	<u>25,333</u>
Total.....	<u>\$ 135,402</u>	<u>\$ 110,069</u>	<u>\$ 25,333</u>

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

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

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

NOTE 3 - RECEIVABLES

At June 30, 2013, 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.....	\$ 695,263	\$ (27,951)	\$ 667,312
Tax liens.....	650,469	-	650,469
Motor vehicle and other excise taxes.....	270,835	(54,039)	216,796
Departmental and other.....	576,587	(48,563)	528,024
Community preservation fund state share...	31,398	-	31,398
Intergovernmental.....	828,900	-	828,900
Loans.....	18,495	-	18,495
Total.....	<u>\$ 3,071,947</u>	<u>\$ (130,553)</u>	<u>\$ 2,941,394</u>

At June 30, 2013, 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.....	\$ 1,828,033	\$ -	\$ 1,828,033

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:

	General Fund	Nonmajor Governmental Funds	Total
<u>Receivable type:</u>			
Real estate and personal property taxes....	\$ 415,329	\$ -	\$ 415,329
Tax liens.....	1,123,202	-	1,123,202
Motor vehicle and other excise taxes.....	216,795	-	216,795
Community preservation fund state share...	-	20,784	20,784
Departmental and other.....	15,572	532,011	547,583
Intergovernmental.....	152,640	26,758	179,398
Loans.....	-	18,496	18,496
Total.....	<u>\$ 1,923,538</u>	<u>\$ 598,049</u>	<u>\$ 2,521,587</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 4,793,364	\$ 203,700	\$ -	\$ 4,997,064
Construction in progress.....	-	83,989	-	83,989
Total capital assets not being depreciated.....	<u>4,793,364</u>	<u>287,689</u>	<u>-</u>	<u>5,081,053</u>
<u>Capital assets being depreciated:</u>				
Buildings and facilities.....	44,082,451	-	-	44,082,451
Improvements other than buildings.....	1,695,132	71,781	-	1,766,913
Machinery and equipment.....	1,431,875	49,985	-	1,481,860
Vehicles.....	5,793,757	444,009	(196,150)	6,041,616
Infrastructure.....	12,209,974	540,221	(501,530)	12,248,665
Total capital assets being depreciated.....	<u>65,213,189</u>	<u>1,105,996</u>	<u>(697,680)</u>	<u>65,621,505</u>
<u>Less accumulated depreciation for:</u>				
Buildings and facilities.....	(25,539,860)	(1,093,095)	-	(26,632,955)
Improvements other than buildings.....	(820,665)	(68,004)	-	(888,669)
Machinery and equipment.....	(646,109)	(105,750)	-	(751,859)
Vehicles.....	(4,441,502)	(312,765)	196,150	(4,558,117)
Infrastructure.....	(10,808,001)	(180,717)	501,530	(10,487,188)
Total accumulated depreciation.....	<u>(42,256,137)</u>	<u>(1,760,331)</u>	<u>697,680</u>	<u>(43,318,788)</u>
Total capital assets being depreciated, net.....	<u>22,957,052</u>	<u>(654,335)</u>	<u>-</u>	<u>22,302,717</u>
Total governmental activities capital assets, net.....	<u>\$ 27,750,416</u>	<u>\$ (366,646)</u>	<u>\$ -</u>	<u>\$ 27,383,770</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
<u>Capital assets:</u>				
Buildings and facilities.....	2,976,573	-	-	2,976,573
Improvements other than buildings.....	-	79,245	-	79,245
Machinery and equipment.....	791,484	-	-	791,484
Vehicles.....	52,465	-	-	52,465
Infrastructure.....	424,268	-	-	424,268
Total capital assets being depreciated.....	4,244,790	79,245	-	4,324,035
<u>Less accumulated depreciation for:</u>				
Buildings and facilities.....	(74,415)	(74,414)	-	(148,829)
Improvements other than buildings.....	-	(991)	-	(991)
Machinery and equipment.....	(19,787)	(39,574)	-	(59,361)
Vehicles.....	(15,740)	(10,493)	-	(26,233)
Infrastructure.....	(10,290)	(10,607)	-	(20,897)
Total accumulated depreciation.....	(120,232)	(136,079)	-	(256,311)
Total capital assets being depreciated, net.....	4,124,558	(56,834)	-	4,067,724
Total water district capital assets, net.....	\$ 5,494,948	\$ (56,834)	\$ -	\$ 5,438,114

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

Governmental Activities:

General government.....	\$ 72,283
Public safety.....	176,670
Education.....	1,052,765
Public works.....	336,575
Human services.....	17,447
Culture and recreation.....	104,591

Total depreciation expense - governmental activities..... \$ 1,760,331

Business-Type Activities:

North Carver Water District.....	\$ <u>136,079</u>
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NOTE 5 – CAPITAL LEASES

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

The following identifies the assets acquired through capital lease agreements:

<u>Asset:</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Machinery and equipment.....	\$ 2,238,220	52,639
Less: accumulated depreciation.....	<u>(794,842)</u>	<u>(26,233)</u>
Total.....	<u>\$ 1,443,379</u>	<u>26,406</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013, were as follows:

<u>Fiscal Years Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2014.....	\$ 258,602	\$ 11,723
2015.....	258,600	11,722
2016.....	245,416	-
2017.....	188,046	-
2018.....	126,241	-
2019.....	94,620	-
2020.....	48,545	-
2021.....	<u>48,545</u>	<u>-</u>
Total minimum lease payments.....	1,268,615	23,445
Less: amounts representing interest.....	<u>(155,639)</u>	<u>(1,778)</u>
Present value of minimum lease payments.....	<u>\$ 1,112,976</u>	<u>\$ 21,667</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

There were no receivables or payables between funds at June 30, 2013. Interfund transfers for the fiscal year ended June 30, 2013, are summarized as follows:

Operating Transfers Out:	Operating Transfers In:			
	General Fund	Nonmajor Governmental Funds	North Carver Water District	Total
General Fund.....	\$ -	\$ 299,511	\$ 16,525	\$ 316,036 (1)
Nonmajor Governmental Funds.....	537,376	-	-	537,376 (1)
Cranberry Village.....	2,600	-	21,251	23,851 (1)
Total.....	\$ 539,976	\$ 299,511	\$ 37,776	\$ 877,263

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

NOTE 7 - SHORT-TERM FINANCING

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

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

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise fund, respectively. Details related to the short-term debt activity for the fiscal year ended June 30, 2013, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2012	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2013
Governmental Funds							
BAN	Municipal Purpose.....	0.60	3/22/2013	\$ 508,702	\$ -	\$ 508,702	\$ -
BAN	Municipal Purpose.....	0.55	5/31/2013	349,480	-	349,480	-
BAN	Municipal Purpose.....	0.50	3/21/2014	-	329,351	-	329,351
BAN	Municipal Purpose.....	0.50	5/30/2014	-	229,320	-	229,320
Total governmental funds.....				\$ 858,182	\$ 558,671	\$ 858,182	\$ 558,671

NOTE 8 - LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit". Details related to the outstanding indebtedness at June 30, 2013, and the debt service requirements are as follows:

Bonds Payable Schedule – Governmental Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2012	Issued	Redeemed	Outstanding at June 30, 2013
Town Hall Refunding.....	2017	1,185,000	3.27	\$ 649,000	-	134,000	\$ 515,000
Library Refunding.....	2017	969,000	3.27	505,000	-	116,000	389,000
Land Acquisition.....	2017	900,000	3.27	500,000	-	100,000	400,000
Septic System Betterment.....	2017	199,807	4.5-6.0	55,502	-	11,100	44,402
Total.....				\$ 1,709,502	\$ -	\$ 361,100	\$ 1,348,402

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

Year	Principal	Interest	Total
2014.....	\$ 360,100	\$ 45,135	\$ 405,235
2015.....	357,100	33,102	390,202
2016.....	352,100	21,163	373,263
2017.....	279,102	9,388	288,490
Total.....	\$ 1,348,402	\$ 108,788	\$ 1,457,190

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

Bonds Payable Schedule – Enterprise Funds

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2012	Issued	Redeemed	Outstanding at June 30, 2013
Water System Bond.....	2021	500,000	4.0-6.0	\$ 500,000	\$ -	\$ -	\$ 500,000
Water System Bond.....	2028	25,000	7.50	24,000	-	1,000	23,000
Water System Bond.....	2047	1,700,000	3.75	1,676,533	-	23,951	1,652,582
RZED Water Bond.....	2049	2,900,000	3.75	2,863,682	-	37,008	2,826,674
Total				\$ 5,064,215	\$ -	\$ 61,959	\$ 5,002,256

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>
2014.....	\$ 64,284	\$ 194,947	\$ 259,231
2015.....	66,657	192,499	259,156
2016.....	69,119	189,962	259,081
2017.....	171,674	184,582	356,256
2018.....	174,324	176,232	350,556
2019.....	177,073	167,533	344,606
2020.....	179,926	159,605	339,531
2021.....	183,886	152,570	336,456
2022.....	86,956	147,350	234,306
2023.....	90,143	144,013	234,156
2024.....	93,448	140,558	234,006
2025.....	96,877	136,979	233,856
2026.....	100,435	133,271	233,706
Thereafter.....	<u>3,447,454</u>	<u>1,695,281</u>	<u>5,142,735</u>
	<u>\$ 5,002,256</u>	<u>\$ 3,815,382</u>	<u>\$ 8,817,638</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, 2013, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
School Feasibility Study.....	\$ 29,351
School Schematic Design.....	300,000
Dept. Equipment/Building Renovation.....	229,320
Central Fire Station/Training Center.....	<u>8,750,000</u>
Total.....	<u>\$ 9,308,671</u>

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2013, the following changes occurred in long-term liabilities:

Governmental Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Long-Term Bonds.....	\$ 1,709,502	\$ -	\$ (361,100)	\$ 1,348,402	\$ 360,100
Capital Lease Obligations.....	1,025,206	342,933	(255,163)	1,112,976	212,481
Landfill.....	1,250,000	153,000	-	1,403,000	130,000
Compensated Absences.....	863,719	(5,527)	-	858,192	350,215
Other Postemployment Benefits....	<u>12,490,952</u>	<u>3,366,714</u>	<u>-</u>	<u>15,857,666</u>	<u>-</u>
Total.....	<u>\$ 17,339,379</u>	<u>\$ 3,857,120</u>	<u>\$ (616,263)</u>	<u>\$ 20,580,236</u>	<u>\$ 1,052,796</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.....	\$ 5,064,215	\$ -	\$ (61,959)	\$ 5,002,256	\$ 64,284
Capital Lease Obligations.....	31,672	-	(10,005)	21,667	10,548
Total.....	<u>\$ 5,095,887</u>	<u>\$ -</u>	<u>\$ (71,964)</u>	<u>\$ 5,023,923</u>	<u>\$ 74,832</u>

NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

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

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

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

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

As of June 30, 2013, the governmental fund balances consisted of the following:

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCES			
Nonspendable:			
Nonexpendable trust funds..... \$	-	\$ 165,464	\$ 165,464
Restricted for:			
Community preservation.....	-	1,464,734	1,464,734
Town gift and grant funds.....	-	173,725	173,725
Town receipts reserved.....	-	1,160,817	1,160,817
School lunch.....	-	7,924	7,924
School gift and grant funds.....	-	467,081	467,081
Town other special revenue funds.....	-	536,619	536,619
Expendable trust funds.....	-	352,809	352,809
Committed to:			
General government.....	26,303	-	26,303
Public safety.....	32,285	-	32,285
Education.....	5,877	-	5,877
Public works.....	84,765	-	84,765
Human services.....	8,381	-	8,381
Capital building stabilization.....	180,685	-	180,685
Assigned to:			
General government.....	13,659	-	13,659
Public safety.....	3,368	-	3,368
Education.....	101,815	-	101,815
Public works.....	476	-	476
Culture and recreation.....	954	-	954
Unassigned.....	<u>3,272,059</u>	<u>(346,925)</u>	<u>2,925,134</u>
TOTAL FUND BALANCES..... \$	<u>3,730,627</u>	<u>3,982,248</u>	<u>7,712,875</u>

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

At year end the balance of the general stabilization fund is \$973,685 and is reported as unassigned fund balance within the general fund; the balance of the capital building stabilization fund is \$180,685 and is reported as committed fund balance within the general fund.

NOTE 10 - RISK FINANCING

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

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

The Town also participates in a premium-based workers' compensation insurance plan for its employees, except for police officers and firefighters for which the Town is self-insured. The Town's incurred but not reported claims for workers' compensation are not material at June 30, 2013, and therefore are not reported.

NOTE 11 - PENSION PLAN

Plan Description - The Town contributes to the Plymouth County Retirement Association (Association), a cost-sharing multiple-employer defined benefit pension plan administered by the Association. Substantially all employees are members of the Association, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$2,962,000 for the fiscal year ended June 30, 2013, 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, 2013, 2012 and 2011 were \$1,475,530, \$1,321,858, and \$1,276,399, respectively, which equaled its required contribution for each fiscal year.

NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

Funding Policy – Contribution requirements are also negotiated between the Town and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Town contributes 50 percent of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 50 percent of their premium costs. For fiscal year 2013 contributions to the plan totaled approximately \$1,213,000.

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.....	\$ 4,893,201
Interest on net OPEB obligation.....	499,638
Adjustment to annual required contribution.....	<u>(813,466)</u>
Annual OPEB cost (expense).....	4,579,373
Contributions made.....	<u>(1,212,659)</u>
Increase/Decrease in net OPEB obligation.....	3,366,714
Net OPEB obligation - beginning of year.....	<u>12,490,952</u>
Net OPEB obligation - end of year.....	<u><u>\$ 15,857,666</u></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 2013 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>
6/30/2013	\$ 4,579,373	26%	\$ 15,857,666
6/30/2012	4,352,129	26%	12,490,952
6/30/2011	4,471,028	8%	9,263,355
6/30/2010	3,340,373	25%	5,147,260

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, 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, 2013.

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 July 1, 2011 is 27 years.

NOTE 13 - COMMITMENTS

The Town has entered into, or is planning to enter into contracts relating to various capital projects and equipment purchases totaling approximately \$476,000.

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

NOTE 14 - CONTINGENCIES

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

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2013, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2013.

NOTE 15 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2013, the following GASB pronouncements were implemented:

- GASB Statement #60, *Accounting and Financial Reporting for Service Concession Arrangements*. The implementation of this pronouncement did not impact the basic financial statements.
- GASB Statement #61, *The Financial Reporting Entity: Omnibus*. The implementation of this pronouncement did not impact the basic financial statements.
- GASB Statement #63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Financial statement changes include net assets changing to net position and invested in capital assets, net of related debt changing to net investment in capital assets. Notes to the basic financial statements were changed to provide additional disclosure on deferred outflows of resources and deferred inflows of resources.
- The GASB issued Statement #65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented in fiscal year 2013.
- GASB Statement #66, *Technical Corrections – 2013, an amendment of GASB Statements No. 10 and No. 62*. The implementation of this pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in future fiscal years:

- 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.
- The GASB issued Statement #69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented in fiscal year 2015.
- The GASB issued Statement #70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which is required to be implemented in fiscal year 2014.
- The GASB issued Statement #71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which is required to be implemented simultaneously with Statement #68.

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

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Required Supplementary Information

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

FISCAL YEAR ENDED JUNE 30, 2013

	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.....	\$ -	\$ 18,877,422	\$ 18,877,422	\$ 18,877,422
Tax liens.....	-	-	-	-
Motor vehicle and other excise taxes.....	-	1,294,204	1,294,204	1,294,204
Penalties and interest on taxes.....	-	190,590	190,590	190,590
Payments in lieu of taxes.....	-	72,000	72,000	72,000
Fines and forfeitures.....	-	24,286	24,286	24,286
Intergovernmental.....	-	11,310,287	11,310,287	11,310,287
Departmental and other.....	-	289,750	289,750	289,750
Investment income.....	-	17,000	17,000	17,000
TOTAL REVENUES.....	-	32,075,539	32,075,539	32,075,539
EXPENDITURES:				
Current:				
General government.....	46,798	2,444,123	2,490,921	2,468,382
Public safety.....	25,768	3,076,086	3,101,854	3,178,654
Education.....	-	22,134,361	22,134,361	22,134,363
Public works.....	8,264	1,064,595	1,072,859	1,107,012
Human services.....	2,314	429,237	431,551	458,251
Culture and recreation.....	-	366,631	366,631	376,831
Pension benefits.....	-	973,990	973,990	973,990
Employee benefits.....	-	1,067,381	1,067,381	1,074,918
Claims and judgments.....	-	-	-	100,000
State and county charges.....	-	392,521	392,521	392,521
Capital lease payments.....	-	241,333	241,333	241,333
Debt service:				
Principal.....	-	261,100	261,100	261,100
Interest.....	-	134,873	134,873	198,226
TOTAL EXPENDITURES.....	83,144	32,586,231	32,669,375	32,965,581
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(83,144)	(510,692)	(593,836)	(890,042)
OTHER FINANCING SOURCES (USES):				
Transfers in.....	-	-	-	-
Transfers out.....	-	(410,511)	(410,511)	(436,590)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(410,511)	(410,511)	(436,590)
NET CHANGE IN FUND BALANCE.....	(83,144)	(921,203)	(1,004,347)	(1,326,632)
BUDGETARY FUND BALANCE, Beginning of year.....	-	2,249,434	2,249,434	2,249,434
BUDGETARY FUND BALANCE, End of year.....	\$ (83,144)	\$ 1,328,231	\$ 1,245,087	\$ 922,802

See notes to required supplementary information.

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	18,775,386	\$ -	\$ (102,036)
	97,673	-	97,673
	1,373,684	-	79,480
	195,695	-	5,105
	120,808	-	48,808
	5,996	-	(18,290)
	11,196,239	-	(114,048)
	527,529	-	237,779
	17,082	-	82
	<u>32,310,092</u>	<u>-</u>	<u>234,553</u>
	2,247,958	39,962	180,462
	3,015,338	35,653	127,663
	21,905,113	228,473	777
	1,190,712	85,241	(168,941)
	446,215	8,381	3,655
	369,019	954	6,858
	971,979	-	2,011
	1,075,388	-	(470)
	100,000	-	-
	273,347	-	119,174
	241,318	-	15
	261,100	-	-
	140,923	-	57,303
	<u>32,238,410</u>	<u>398,664</u>	<u>328,507</u>
	<u>71,682</u>	<u>(398,664)</u>	<u>563,060</u>
	539,976	-	539,976
	<u>(416,035)</u>	<u>-</u>	<u>20,555</u>
	<u>123,941</u>	<u>-</u>	<u>560,531</u>
	195,623		
	<u>2,249,434</u>		
\$	<u>2,445,057</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)
01/01/13	\$ 666,899,774	\$ 1,319,764,989	\$ 652,865,215	50.5%	\$ 238,655,485	273.6%
01/01/11	666,730,812	1,187,447,414	520,716,602	56.1%	228,289,638	228.1%
01/01/10	673,709,456	1,132,847,379	459,137,923	59.5%	227,507,647	201.8%
01/01/09	579,877,224	1,159,210,636	579,333,412	50.0%	264,541,078	219.0%
01/01/08	683,819,938	1,056,020,215	372,200,277	64.8%	252,682,832	147.3%
01/01/07	606,629,089	987,840,418	381,211,329	61.4%	244,574,136	155.9%
01/01/06	558,533,863	918,851,707	360,317,844	60.8%	226,262,731	159.2%
01/01/04	520,104,805	802,158,453	282,053,648	64.8%	208,312,002	135.4%
01/01/02	466,325,660	733,198,204	266,872,544	63.6%	205,039,686	130.2%
01/01/00	450,210,619	611,204,058	160,993,439	73.7%	178,010,731	90.4%
01/01/98	316,253,566	492,303,777	176,050,211	64.2%	148,264,981	118.7%

The Town's share of the UAAL, as of January 1, 2013, is approximately 2.7%.

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
2013	\$ 54,966,177	\$ 54,966,177	100%	\$ 1,475,530	2.68%
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, 2013

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
2013	\$ 4,893,201	\$ 1,212,659	25%
2012	4,352,129	1,124,532	26%
2011	4,471,028	354,933	8%
2010	3,340,373	851,000	25%

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

FISCAL YEAR ENDED JUNE 30, 2013

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.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized by two-thirds majority vote of Town Meeting. The majority of appropriations are non-continuing which lapse at the end of each 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. Increases or transfers between and within departments subsequent to the approval of the annual budget, requires majority Town Meeting approval via a supplemental appropriation.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2013 approved budget authorized \$33 million in appropriations and other amounts to be raised and \$83,000 in encumbrances and appropriations carried over from previous fiscal years. During fiscal year 2013, Town Meeting approved an increase in original appropriations totaling \$322,000.

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, 2013, is presented below:

Net change in fund balance - budgetary basis.....	\$ 195,623
<u>Perspective difference:</u>	
Activity of the stabilization fund recorded in the general fund for GAAP.....	202,332
<u>Basis of accounting differences:</u>	
Increase in revenues due adjustments for modified accrual basis of accounting.....	41,016
Net change in tax refunds payable.....	148,000
Recognition of expenditures due to modified accrual basis.....	(20,781)
Increase in revenues due to on-behalf payments.....	2,962,228
Increase in expenditures due to on-behalf payments.....	<u>(2,962,228)</u>
Net change in fund balance - GAAP basis.....	<u>\$ 566,190</u>

NOTE B – PENSION PLAN

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

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

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

Actuarial Methods and Assumptions:

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

Actuarial Assumptions:

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

Plan Membership:

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

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The Town of Carver administers a single-employer defined benefit healthcare plan (“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.