

TOWN OF CARVER, MASSACHUSETTS

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

YEAR ENDED JUNE 30, 2016

TOWN OF CARVER, MASSACHUSETTS
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JUNE 30, 2016

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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, 2016, 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, 2016, 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 January 26, 2017, on our consideration of the Town of Carver, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Carver, Massachusetts' internal control over financial reporting and compliance.

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

January 26, 2017

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Carver (Town), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2016. We encourage readers to consider the information presented in this report.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Carver, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4.4 million at the close of 2016. Key components of the Town's governmental financial position are listed below.

Net position of \$28.8 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, \$31.2 million represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of unrestricted net position totals \$55.6 million. This is due to the OPEB and pension liability of \$25.1 million and 17.3 million, respectively.

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

Governmental Activities

The Town of Carver's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2.3 million at the close of 2016.

The following table provides a summary of the financial highlights of the Town's governmental activities for 2016 and 2015.

	2016	2015
Assets:		
Current assets.....	\$ 42,646,253	\$ 16,820,819
Noncurrent assets (excluding capital).....	423,417	372,327
Capital assets.....	36,467,170	28,031,728
Total assets.....	<u>79,536,840</u>	<u>45,224,874</u>
Deferred Outflows of Resources:		
Deferred outflow of resources related to pensions.....	2,039,241	735,961
Liabilities:		
Current liabilities (excluding debt).....	2,739,295	2,640,184
Noncurrent liabilities (excluding debt).....	43,683,455	40,929,692
Current debt.....	1,760,614	2,651,855
Noncurrent debt.....	31,108,664	964,840
Total liabilities.....	<u>79,292,028</u>	<u>47,186,571</u>
Deferred Inflows of Resources:		
Deferred inflows of resources related to pensions.....	(23,538)	-
Net Position:		
Net investment in capital assets.....	28,443,176	27,594,461
Restricted.....	7,795,710	4,697,358
Unrestricted.....	(57,397,709)	(33,517,555)
Total net position.....	<u>\$ (21,158,823)</u>	<u>\$ (1,225,736)</u>
Program Revenues:		
Charges for services.....	\$ 3,095,951	\$ 2,723,945
Operating grants and contributions.....	16,464,221	13,477,279
Capital grants and contributions.....	1,042,605	441,875
Total program revenues.....	<u>20,602,777</u>	<u>16,643,099</u>
General Revenues:		
Real estate and personal property taxes.....	22,028,152	21,001,925
Tax liens.....	277,542	116,426
Motor vehicle and other excise taxes.....	1,697,922	1,554,182
Penalties and interest on taxes.....	212,549	252,400
Payments in lieu of taxes.....	28,001	27,704
Grants and contributions not restricted to specific programs.....	1,647,839	1,431,918
Unrestricted investment income.....	141,172	50,438
Miscellaneous.....	145,397	-
Total general revenues.....	<u>26,178,574</u>	<u>24,434,993</u>
Expenses:		
General government.....	4,122,286	3,355,681
Public safety.....	3,551,317	4,742,257
Education.....	31,952,315	30,863,643
Public works.....	1,599,357	2,053,433
Community Preservation.....	50,235	272,274
Human services.....	810,836	586,175
Landfill.....		
Culture and recreation.....	595,280	561,023
Interest.....	412,085	75,759
Total expenses.....	<u>43,093,711</u>	<u>42,510,245</u>
Transfers, net.....	<u>(201,389)</u>	<u>(209,084)</u>
Change in net position.....	3,486,251	(1,641,237)
Net position - beginning.....	<u>(1,225,736)</u>	<u>415,501</u>
Net position - ending.....	<u>\$ 2,260,515</u>	<u>\$ (1,225,736)</u>

The governmental activities net position increased by \$3.4 million during the current year. This increase was primarily the result of better than expected budgetary results and capital grants offset by increases in the OPEB liability.

Current assets are higher than 2015 due to unspent bond proceeds associated with long-term debt issued in March of 2016.

Business-type Activities

For the Town's business-type activities, assets exceeded liabilities by \$2.2 million at the close of 2016. There was a decrease of \$250,000 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 2016 and 2015.

	<u>2016</u>	<u>2015</u>
Assets:		
Current assets.....	\$ 722,054	\$ 733,395
Noncurrent assets (excluding capital).....	1,161,128	1,486,604
Capital assets.....	<u>5,182,978</u>	<u>5,281,461</u>
Total assets.....	<u>7,066,160</u>	<u>7,501,460</u>
Liabilities:		
Current liabilities (excluding debt).....	104,514	221,254
Current debt.....	170,674	68,119
Noncurrent debt.....	<u>4,611,522</u>	<u>4,782,196</u>
Total liabilities.....	<u>4,886,710</u>	<u>5,071,569</u>
Net Position:		
Net investment in capital assets.....	400,782	431,146
Unrestricted.....	<u>1,778,668</u>	<u>1,998,745</u>
Total net position.....	<u>\$ 2,179,450</u>	<u>\$ 2,429,891</u>
Program revenues:		
Charges for services.....	\$ 75,892	\$ 242,081
Capital grants and contributions.....	<u>59,533</u>	<u>69,019</u>
Total program revenues.....	<u>135,425</u>	<u>311,100</u>
General Revenues:		
Unrestricted investment income.....	2,514	1,622
Expenses:		
North Carver Water District.....	543,998	516,889
Cranberry Village.....	<u>45,771</u>	<u>50,064</u>
Total expenses.....	<u>589,769</u>	<u>566,953</u>
Transfers, net.....	<u>201,389</u>	<u>209,084</u>
Change in net position.....	(250,441)	(45,147)
Net position - beginning.....	<u>2,429,891</u>	<u>2,475,038</u>
Net position - ending.....	<u>\$ 2,179,450</u>	<u>\$ 2,429,891</u>

Financial Analysis of the Governmental Funds

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

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

At the end of the current year, governmental funds reported combined ending fund balances of \$38.4 million, an increase of \$29.0 million from the prior year. This is attributable the positive results of the general fund, community preservation fund, receipts reserved for appropriation fund, and the issuance of \$30.0 million of bonds in the Town's capital projects fund.

The general fund is the chief operating fund of the Town. At the end of the current year, unassigned fund balance of the general fund was \$6.8 million, while total fund balance equaled \$8.2 million. Included in unassigned fund balance is the Town's stabilization fund which, at year end, totaled \$2.4 million. 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 17.8% of total general fund expenditures, while total fund balance represents 21.3% of that same amount.

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

The Community Preservation Fund is used to account for funds held for uses restricted by law for community preservation purposes. At June 30, 2016, the fund balance was \$2.6 million, an increase from prior year of \$466,000 due to the timing of local and state receipts and expenditures thereon.

The Receipts Reserved for Appropriations Fund is used to account for various Town items including the ambulance, Title V, betterments, landfill post-closure costs and the sale of cemetery lots. At the end of the current year, fund balance totaled \$1.5 million. This was a \$153,000 increase from prior year.

The Town Capital Projects Fund is used to account for the various capital projects within the Town. At the end of the year fund balance \$23.4 million. This was due to issuance of \$30.0 million in long-term debt to fund the new Central Fire Station/Training Center, new fire engines and the elementary school.

General Fund Budgetary Highlights

The Town adopts an annual budget for the general fund. The original 2016 approved budget for the general fund authorized approximately \$39.0 million in appropriations and other amounts to be raised. During 2016, Town Meeting also approved supplemental appropriations totaling approximately \$1.4 million most of which related to an increase in transfers out to stabilization.

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, 2016, amounts to \$41.7 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, system improvements, machinery and equipment, park facilities, vehicles, roads, highways, and bridges.

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

Long-term debt. At the end of the current year, the Town had total bonded debt outstanding of \$30.3 million and \$4.8 million for the governmental and business-type activities, respectively.

The Town maintains a "AA" bond rating from Standard & Poor's.

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

Requests for Information

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

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2016

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 39,234,900	\$ 575,109	\$ 39,810,009
Investments.....	681,674	-	681,674
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	539,130	-	539,130
Tax liens.....	470,033	-	470,033
Motor vehicle excise taxes.....	198,597	-	198,597
User fees.....	-	44,107	44,107
Departmental and other.....	367,856	-	367,856
Special assessments.....	17,404	102,838	120,242
Intergovernmental.....	1,110,008	-	1,110,008
Loans.....	21,651	-	21,651
Prepaid expenses.....	5,000	-	5,000
NONCURRENT:			
Restricted assets:			
Special assessments.....	-	1,161,128	1,161,128
Tax foreclosures.....	423,417	-	423,417
Capital assets, nondepreciable.....	13,571,052	1,370,390	14,941,442
Capital assets, net of accumulated depreciation.....	22,896,118	3,812,588	26,708,706
TOTAL ASSETS.....	79,536,840	7,066,160	86,603,000
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions.....	2,039,241	-	2,039,241
LIABILITIES			
CURRENT:			
Warrants payable.....	1,076,587	8,063	1,084,650
Accrued payroll.....	178,732	-	178,732
Accrued interest.....	336,004	96,451	432,455
Payroll withholdings.....	281,939	-	281,939
Customer deposits payable.....	365,562	-	365,562
Capital lease obligations.....	253,832	-	253,832
Landfill.....	130,000	-	130,000
Compensated absences.....	370,471	-	370,471
Bonds payable.....	1,506,782	170,674	1,677,456
NONCURRENT:			
Capital lease obligations.....	431,906	-	431,906
Landfill.....	870,000	-	870,000
Compensated absences.....	424,880	-	424,880
Other postemployment benefits.....	25,072,101	-	25,072,101
Pension liability.....	17,316,474	-	17,316,474
Bonds payable.....	30,676,758	4,611,522	35,288,280
TOTAL LIABILITIES.....	79,292,028	4,886,710	84,178,738
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions....	23,538	-	23,538
NET POSITION			
Net investment in capital assets.....	28,443,176	400,782	28,843,958
Restricted for:			
Capital projects.....	23,419,338	-	23,419,338
Loans.....	21,651	-	21,651
Permanent funds:			
Expendable.....	791,239	-	791,239
Nonexpendable.....	165,464	-	165,464
Other purposes.....	6,817,356	-	6,817,356
Unrestricted.....	(57,397,709)	1,778,668	(55,619,041)
TOTAL NET POSITION.....	\$ 2,260,515	\$ 2,179,450	\$ 4,439,965

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

	Program Revenues				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Primary Government:					
<i>Governmental Activities:</i>					
General government.....	\$ 4,122,286	\$ 628,262	\$ 699,018	\$ -	\$ (2,795,006)
Public safety.....	3,551,317	1,549,736	-	-	(2,001,581)
Education.....	31,952,315	452,866	15,514,164	-	(15,985,285)
Public works.....	1,599,357	120,752	27,579	835,148	(615,878)
Community preservation.....	50,235	-	-	207,457	157,222
Human services.....	810,836	333,396	202,626	-	(274,814)
Culture and recreation.....	595,280	10,939	20,834	-	(563,507)
Interest.....	412,085	-	-	-	(412,085)
Total Governmental Activities.....	43,093,711	3,095,951	16,464,221	1,042,605	(22,490,934)
<i>Business-Type Activities:</i>					
North Carver Water District.....	543,998	75,892	-	-	(468,106)
Cranberry Village.....	45,771	-	-	59,533	13,762
Total Business-Type Activities.....	589,769	75,892	-	59,533	(454,344)
Total Primary Government.....	\$ 43,683,480	\$ 3,171,843	\$ 16,464,221	\$ 1,102,138	\$ (22,945,278)

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

YEAR ENDED JUNE 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net position:			
Net (expense) revenue from previous page.....	\$ (22,490,934)	\$ (454,344)	\$ (22,945,278)
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	22,028,152	-	22,028,152
Tax liens.....	277,542	-	277,542
Motor vehicle and other excise taxes.....	1,697,922	-	1,697,922
Penalties and interest on taxes.....	212,549	-	212,549
Payments in lieu of taxes.....	28,001	-	28,001
Grants and contributions not restricted to specific programs.....	1,647,839	-	1,647,839
Unrestricted investment income.....	141,172	2,514	143,686
Miscellaneous.....	145,397	-	145,397
<i>Transfers, net</i>	(201,389)	201,389	-
Total general revenues and transfers.....	25,977,185	203,903	26,181,088
Change in net position.....	3,486,251	(250,441)	3,235,810
<i>Net Position:</i>			
Beginning of year.....	(1,225,736)	2,429,891	1,204,155
End of year.....	\$ 2,260,515	\$ 2,179,450	\$ 4,439,965

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2016

	General	Community Preservation	Receipts Reserved for Appropriation	Town Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents.....	\$ 8,346,734	\$ 2,681,425	\$ 1,474,237	\$ 24,159,546	\$ 2,453,550	\$ 39,115,492
Investments.....	681,674	-	-	-	-	681,674
Receivables, net of uncollectibles:						
Real estate and personal property taxes.....	539,130	-	-	-	-	539,130
Tax liens.....	463,857	6,176	-	-	-	470,033
Motor vehicle excise taxes.....	198,597	-	-	-	-	198,597
Departmental and other.....	17,640	9,612	287,876	-	52,728	367,856
Special assessments.....	-	-	17,404	-	-	17,404
Intergovernmental.....	294,613	-	-	-	815,395	1,110,008
Loans.....	-	-	-	-	21,651	21,651
Tax foreclosures.....	421,961	1,456	-	-	-	423,417
Due from other funds.....	119,408	-	-	-	-	119,408
Prepaid expenses.....	5,000	-	-	-	-	5,000
TOTAL ASSETS.....	\$ 11,088,614	\$ 2,698,669	\$ 1,779,517	\$ 24,159,546	\$ 3,343,324	\$ 43,069,670
LIABILITIES:						
Warrants payable.....	\$ 298,603	\$ 3,822	\$ 444	\$ 740,208	\$ 33,510	\$ 1,076,587
Accrued payroll.....	169,057	240	-	-	9,435	178,732
Liabilities due depositors.....	365,562	-	-	-	-	365,562
Payroll withholdings.....	281,939	-	-	-	-	281,939
TOTAL LIABILITIES.....	1,115,161	4,062	444	740,208	42,945	1,902,820
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenues.....	1,727,009	17,244	305,281	-	755,698	2,805,232
FUND BALANCES:						
Nonspendable.....	-	-	-	-	165,464	165,464
Restricted.....	-	2,677,363	1,473,792	23,419,338	2,379,217	29,949,710
Committed.....	1,342,311	-	-	-	-	1,342,311
Assigned.....	25,921	-	-	-	-	25,921
Unassigned.....	6,878,212	-	-	-	-	6,878,212
TOTAL FUND BALANCES.....	8,246,444	2,677,363	1,473,792	23,419,338	2,544,681	38,361,618
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 9,361,605	\$ 2,698,669	\$ 1,779,517	\$ 24,159,546	\$ 2,587,626	\$ 40,264,438

See notes to basic financial statements.

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

JUNE 30, 2016

Total governmental fund balances.....	\$ 38,361,618
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	36,467,170
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....	2,805,232
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.....	2,015,703
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(336,004)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds payable.....	(32,183,540)
Capital lease obligations.....	(685,738)
Landfill liability.....	(1,000,000)
Net pension liability.....	(17,316,474)
Other postemployment benefit obligations.....	(25,072,101)
Compensated absences.....	<u>(795,351)</u>
Net effect of reporting long-term liabilities.....	<u>(77,053,204)</u>
Net position of governmental activities.....	<u>\$ 2,260,515</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

	General	Community Preservation	Receipts Reserved for Appropriation	Town Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:						
Real estate and personal property taxes, net of tax refunds.....	\$ 21,760,663	\$ -	\$ -	\$ -	\$ -	\$ 21,760,663
Tax liens.....	243,659	-	-	-	-	243,659
Motor vehicle and other excise taxes.....	1,699,157	-	-	-	-	1,699,157
Penalties and interest on taxes.....	212,549	-	207	-	35	212,791
Payments in lieu of taxes.....	28,001	-	-	-	-	28,001
Fines and forfeitures.....	5,635	-	-	-	-	5,635
Intergovernmental.....	14,584,555	-	-	1,056,523	2,885,579	18,526,657
Departmental and other.....	1,081,721	-	781,750	-	1,363,977	3,227,448
Community preservation.....	-	606,931	-	-	-	606,931
Investment income.....	113,488	15,960	-	-	11,740	141,188
Miscellaneous.....	214,763	-	-	-	-	214,763
TOTAL REVENUES.....	39,944,191	622,891	781,957	1,056,523	4,261,331	46,666,893
EXPENDITURES:						
Current:						
General government.....	2,732,415	-	-	-	817,734	3,550,149
Public safety.....	3,299,801	-	-	5,001,641	150,543	8,451,985
Education.....	23,565,551	-	-	2,483,501	1,996,564	28,045,616
Public works.....	1,293,702	-	-	-	600,927	1,894,629
Human services.....	505,751	-	-	-	170,629	676,380
Culture and recreation.....	383,344	-	-	-	12,427	395,771
Pension benefits.....	3,934,333	-	-	-	-	3,934,333
Employee benefits.....	1,006,919	-	-	-	-	1,006,919
Community preservation.....	-	50,235	-	-	-	50,235
State and county charges.....	619,834	-	-	-	-	619,834
Capital lease payments.....	336,609	-	-	-	-	336,609
Debt service:						
Principal.....	252,100	100,000	-	-	-	352,100
Interest.....	46,483	6,540	-	-	-	53,023
TOTAL EXPENDITURES.....	37,976,842	156,775	-	7,485,142	3,748,824	49,367,583
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	1,967,349	466,116	781,957	(6,428,619)	512,507	(2,700,690)
OTHER FINANCING SOURCES (USES):						
Proceeds from bonds and notes.....	-	-	-	30,000,000	-	30,000,000
Premium from issuance of bonds.....	1,036,829	-	-	867,611	-	1,904,440
Transfers in.....	380,419	-	-	485,000	297,038	1,162,457
Transfers out.....	(722,510)	-	(628,893)	-	(12,443)	(1,363,846)
TOTAL OTHER FINANCING SOURCES (USES)...	694,738	-	(628,893)	31,352,611	284,595	31,703,051
NET CHANGE IN FUND BALANCES.....	2,662,087	466,116	153,064	24,923,992	797,102	29,002,361
FUND BALANCES AT BEGINNING OF YEAR.....	5,584,357	2,211,247	1,320,728	(1,504,654)	1,747,579	9,359,257
FUND BALANCES AT END OF YEAR.....	\$ 8,246,444	\$ 2,677,363	\$ 1,473,792	\$ 23,419,338	\$ 2,544,681	\$ 38,361,618

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds.....	\$	29,002,361
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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.

Capital outlay.....	10,475,660	
Depreciation expense.....	<u>(2,010,455)</u>	

Net effect of reporting capital assets.....		8,465,205
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Revenues in the Statement of Activities that do not provide current financial resources are unavailable in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue.....

114,458

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.

Issuance of bonds.....	(30,000,000)	
Capital lease principal payments.....	299,755	
Premium from issuance of bonds.....	(1,904,440)	
Debt service principal payments.....	<u>352,100</u>	

Net effect of reporting long-term debt.....		(31,252,585)
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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.

Net change in compensated absences accrual.....	(48,742)	
Net change in accrued interest on long-term debt.....	(322,208)	
Net change in deferred outflow/(inflow) of resources related to pensions.....	1,279,742	
Net change in net pension liability.....	(1,399,157)	
Net change in other postemployment benefit obligations.....	<u>(2,352,823)</u>	

Net effect of recording long-term liabilities.....		<u>(2,843,188)</u>
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Change in net position of governmental activities.....	\$	<u><u>3,486,251</u></u>
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See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

JUNE 30, 2016

				Business-type Activities - Enterprise Funds		
				North Carver Water District	Cranberry Village	Total
ASSETS						
CURRENT:						
Cash and cash equivalents.....	\$	361,102	\$	214,007	\$	575,109
Receivables, net of allowance for uncollectibles:						
User fees.....		36,887		7,220		44,107
Special assessments.....		102,838		-		102,838
Total current assets.....		500,827		221,227		722,054
NONCURRENT:						
Receivables, net of allowance for uncollectibles:						
Special assessments.....		1,161,128		-		1,161,128
Capital assets, nondepreciable.....		1,370,390		-		1,370,390
Capital assets, net of accumulated depreciation.....		3,790,463		22,125		3,812,588
Total noncurrent assets.....		6,321,981		22,125		6,344,106
TOTAL ASSETS.....		6,822,808		243,352		7,066,160
LIABILITIES						
CURRENT:						
Warrants payable.....		7,973		90		8,063
Accrued interest.....		96,451		-		96,451
Bonds payable.....		170,674		-		170,674
Total current liabilities.....		275,098		90		275,188
NONCURRENT:						
Bonds payable.....		4,611,522		-		4,611,522
TOTAL LIABILITIES.....		4,886,620		90		4,886,710
NET POSITION						
Net investment in capital assets.....		1,539,785		22,125		1,561,910
Unrestricted.....		396,403		221,137		617,540
TOTAL NET POSITION.....	\$	1,936,188	\$	243,262	\$	2,179,450

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2016

	Business-type Activities - Enterprise Funds		
	North Carver Water District	Cranberry Village	Total
OPERATING REVENUES:			
Charges for services	\$ 32,667	\$ 59,533	\$ 92,200
Intergovernmental.....	43,225	-	43,225
TOTAL OPERATING REVENUES	75,892	59,533	135,425
OPERATING EXPENSES:			
Cost of services and administration	85,825	43,168	128,993
Utilities.....	43,100	-	43,100
Other.....	94,948	-	94,948
Depreciation.....	133,122	2,603	135,725
TOTAL OPERATING EXPENSES	356,995	45,771	402,766
OPERATING INCOME (LOSS).....	(281,103)	13,762	(267,341)
NONOPERATING REVENUES (EXPENSES):			
Investment income.....	1,739	775	2,514
Interest expense.....	(187,003)	-	(187,003)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(185,264)	775	(184,489)
INCOME (LOSS) BEFORE TRANSFERS.....	(466,367)	14,537	(451,830)
TRANSFERS:			
Transfers in.....	240,472	-	240,472
Transfers out.....	(37,129)	(1,954)	(39,083)
TOTAL TRANSFERS.....	203,343	(1,954)	201,389
CHANGE IN NET POSITION.....	(263,024)	12,583	(250,441)
NET POSITION AT BEGINNING OF YEAR.....	2,199,212	230,679	2,429,891
NET POSITION AT END OF YEAR.....	\$ 1,936,188	\$ 243,262	\$ 2,179,450

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016

	Business-type Activities - Enterprise Funds		
	North Carver Water District	Cranberry Village	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Receipts from customers and users.....	\$ 373,754	\$ 65,368	\$ 439,122
Payments to vendors.....	(333,046)	(47,947)	(380,993)
Payments to employees.....	(1,404)	-	(1,404)
NET CASH FROM OPERATING ACTIVITIES.....	39,304	17,421	56,725
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Transfers in.....	240,472	-	240,472
Transfers out.....	(37,129)	(1,954)	(39,083)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	203,343	(1,954)	201,389
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Acquisition and construction of capital assets	(37,242)	-	(37,242)
Principal payments on bonds.....	(68,119)	-	(68,119)
Interest expense.....	(188,387)	-	(188,387)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(293,748)	-	(293,748)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Investment income.....	1,739	775	2,514
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(49,362)	16,242	(33,120)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	410,464	197,765	608,229
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 361,102	\$ 214,007	\$ 575,109
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>			
Operating income (loss).....	\$ (281,103)	\$ 13,762	\$ (267,341)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation.....	133,122	2,603	135,725
Changes in assets and liabilities:			
User fees.....	297,862	5,835	303,697
Warrants payable.....	(110,402)	(4,779)	(115,181)
Accrued payroll.....	(175)	-	(175)
Total adjustments.....	320,407	3,659	324,066
NET CASH FROM OPERATING ACTIVITIES.....	\$ 39,304	\$ 17,421	\$ 56,725

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2016

	Agency Funds
ASSETS	
CURRENT:	
Receivables, net of allowance for uncollectibles:	
Departmental and other.....	\$ 289,669
LIABILITIES	
Warrants payable.....	6,845
Accrued liabilities.....	2,700
Liabilities due depositors.....	160,716
Due to other funds.....	119,408
TOTAL LIABILITIES.....	\$ 289,669

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.

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 2016.

<u>Name</u>	<u>Purpose</u>	<u>2016 Assessment</u>
Gateway Health Group Carver Town Hall, Carver MA	Employee and retiree health Insurance	\$ 5,510,052
Old Colony Regional Vocational Technical High School 476 North Avenue, Rochester, MA	To provide educational services	\$ 1,012,637
Carver, Marion, Wareham Regional Refuse Disposal District 2 Spring Street, Marion, MA	To provide refuse disposal facilities	\$ 15,900
Massachusetts Bay Regional Transit Authority 45 High Street, Boston, MA	Regional transportation services	\$ 21,188
Greater Attleborough/Taunton Regional Transit Authority 88 Broadway, Taunton, MA	Regional transportation services	\$ 54,146

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

Major Fund Criteria

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

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

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

Fiduciary funds are reported by fund type.

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

Government-Wide Financial Statements

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

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

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.

- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

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

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

Fund Financial Statements

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

Real estate and personal property tax revenues are considered available if they are collected within 60 days after year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

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

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

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

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

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

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

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

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

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

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

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

The following fiduciary fund types are reported:

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

D. 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.

E. Fair Value Measurements

The Town reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Town's financial instruments, see Note 2 – Fair Value Measurements.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate, Personal Property Taxes and Tax Liens

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

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

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

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

Motor Vehicle Excise

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

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

Community Preservation

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

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

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

Departmental and Other

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

Intergovernmental

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

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

Loans

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

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

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

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

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

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

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

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

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

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

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

Governmental Fund Financial Statements

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

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

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

Governmental Fund Financial Statements

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

J. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

K. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

L. Net Position and Fund Equity

Government-Wide Financial Statements (Net Position)

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

Net position has been “restricted for” the following:

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

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

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

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

Fund Financial Statements (Fund Balances)

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

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

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

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

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

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

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

M. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Fund Financial Statements

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

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of both the Plymouth County Retirement System and the Massachusetts Teachers Retirement System and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

R. Total Column*Government-Wide Financial Statements*

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

Fund Financial Statements

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

NOTE 2 - CASH AND INVESTMENTS

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

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

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

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

Custodial credit risk for deposits is the risk that in event of a bank failure, the government's deposits may not be returned to it. The Town has adopted a formal policy to limit custodial credit risk of deposits. At year-end, the carrying amount of deposits totaled \$39,690,601 and the bank balance totaled \$40,303,024. Of the bank balance, \$1,250,000 was covered by Federal Depository Insurance, \$37,188,381 was covered by the Depositors Insurance Fund, \$801,922 was covered by the Share Insurance Fund, \$187,689 Securities Investor Protection Corporation and \$875,032 was uninsured and uncollateralized.

Custodial credit risk for investments is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Town's investments subject to custodial credit risk include \$124,157 in government agencies, \$265,000 in government sponsored enterprises, \$169,852 in corporate bonds and \$77,359 in equity securities, which have custodial credit risk exposure totaling \$636,368 because the related securities are uninsured, unregistered and held by the counterparty. The Town has adopted a formal policy to limit custodial credit risk by restricting investment only in

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 have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2016 the Town had the following investments and maturities:

		Investment Maturities (in years)	
Investment Type	Fair Value	Less Than 1	1 to 5
<u>Debt Securities</u>			
U.S. Treasury Notes.....	\$ 124,157	\$ -	\$ 124,157
U.S. Government Securities.....	265,000	-	195,000
Corporate Bonds.....	169,852	45,304	124,548
Total Debt Securities.....	559,009	\$ 45,304	\$ 443,705
<u>Other Investments</u>			
Equity Securities.....	77,359		
Equity Mutual Funds.....	45,306		
Total Investments.....	\$ 681,674		

Credit Risk - The Town has not adopted a formal policy related to credit risk. As of June 30, 2016, Standard & Poor's Investors Service rated the Town's investments as follows:

Investment Type	Fair Value	Quality Ratings		
		AAA	AA+	BBB+
U.S. Treasury Notes.....	\$ 124,157	\$ -	\$ 124,157	\$ -
Government Sponsored Enterprises.....	265,000	-	265,000	-
Corporate Bonds.....	169,852	74,972	45,304	49,576
Total.....	\$ 559,009	\$ 74,972	\$ 434,461	\$ 49,576

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.

Fair Market Value of Investments

The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town chooses a tabular format for disclosing the levels within the fair value hierarchy.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investment Type	6/30/16	Fair Value Measurements Using		
		Prices Quoted in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Debt Securities:</u>				
U.S. Government Treasuries.....	\$ 124,157	\$ -	\$ -	\$ -
Corporate bonds.....	169,852	-	169,852	-
Government Sponsored Enterprises.....	265,000	265,000	-	-
Total debt securities.....	559,009	265,000	169,852	-
<u>Other investments:</u>				
Equity securities.....	77,359	77,359	-	-
Equity mutual funds.....	45,306	45,306	-	-
Total other investments.....	122,665	122,665	-	-
Total investments measured at fair value.....	\$ 681,674	\$ 387,665	\$ 169,852	\$ -

NOTE 3 - RECEIVABLES

At June 30, 2016, 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.....	\$ 549,913	\$ (10,783)	\$ 539,130
Tax liens.....	470,033	-	470,033
Motor vehicle and other excise taxes.....	266,330	(67,733)	198,597
Departmental and other.....	399,842	(31,986)	367,856
Special assessments.....	17,404	-	17,404
Intergovernmental.....	1,110,008	-	1,110,008
Loans.....	21,651	-	21,651
Total.....	\$ 2,835,181	\$ (110,502)	\$ 2,724,679

At June 30, 2016, 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.....	\$ 1,308,073	\$ -	\$ 1,308,073

Governmental funds report *deferred inflows of resources* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

At the end of the current year, the various components of *deferred inflows of resources* reported in the governmental funds were as follows:

	General Fund	Community Preservation	Receipts Reserved for Appropriations	Nonmajor Governmental Funds	Total
<u>Receivable and other asset type:</u>					
Real estate and personal property taxes.....	\$ 375,712	\$ -	\$ -	\$ -	\$ 375,712
Tax liens.....	463,857	6,176	-	-	470,033
Motor vehicle and other excise taxes.....	198,597	-	-	-	198,597
Special assessments.....	-	-	17,404	-	17,404
Community preservation fund state share...	-	9,612	-	-	9,612
Departmental and other.....	16,488	-	287,876	52,728	357,092
Intergovernmental.....	249,242	-	-	-	249,242
Loans.....	-	-	-	21,651	21,651
Tax foreclosures.....	423,113	1,456	-	-	424,569
Total.....	<u>\$ 1,727,009</u>	<u>\$ 17,244</u>	<u>\$ 305,280</u>	<u>\$ 74,379</u>	<u>\$ 2,123,912</u>

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 4,998,854	\$ 61,635	\$ (29,764)	\$ 5,030,726
Construction in progress.....	1,166,392	7,656,363	(282,427)	8,540,328
Total capital assets not being depreciated.....	<u>6,165,246</u>	<u>7,717,998</u>	<u>(312,191)</u>	<u>13,571,054</u>
<u>Capital assets being depreciated:</u>				
Buildings and facilities.....	44,064,038	-	-	44,064,038
Improvements other than buildings.....	2,059,710	178,940	-	2,238,650
Machinery and equipment.....	3,540,234	203,729	-	3,743,963
Vehicles.....	6,326,507	2,075,307	(421,995)	7,979,819
Infrastructure.....	12,275,760	582,113	-	12,857,873
Total capital assets being depreciated.....	<u>68,266,249</u>	<u>3,040,089</u>	<u>(421,995)</u>	<u>70,884,343</u>
<u>Less accumulated depreciation for:</u>				
Buildings and facilities.....	(28,798,421)	(1,056,323)	-	(29,854,744)
Improvements other than buildings.....	(1,043,337)	(88,375)	-	(1,131,712)
Machinery and equipment.....	(1,098,770)	(332,777)	-	(1,431,547)
Vehicles.....	(5,042,770)	(414,554)	421,995	(5,035,329)
Infrastructure.....	(10,416,469)	(118,426)	-	(10,534,895)
Total accumulated depreciation.....	<u>(46,399,767)</u>	<u>(2,010,455)</u>	<u>421,995</u>	<u>(47,988,227)</u>
Total capital assets being depreciated, net.....	<u>21,866,482</u>	<u>1,029,634</u>	<u>-</u>	<u>22,896,116</u>
Total governmental activities capital assets, net.....	<u>\$ 28,031,728</u>	<u>\$ 8,747,632</u>	<u>\$ (312,191)</u>	<u>\$ 36,467,169</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Cranberry Village Enterprise Activities:				
<u>Capital assets:</u>				
Machinery and equipment.....	\$ 26,030	\$ -	\$ -	\$ 26,030
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(1,302)	(2,603)	-	(3,905)
Total capital assets being depreciated, net.....	24,728	(2,603)	-	22,125
Total water enterprise capital assets, net.....	\$ 24,728	\$ (2,603)	\$ -	\$ 22,125
North Carver Water District Enterprise Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,370,390	\$ -	\$ -	\$ 1,370,390
Construction in progress.....	92,757	37,243	(130,000)	-
Total capital assets not being depreciated.....	1,463,147	37,243	(130,000)	1,370,390
<u>Capital assets:</u>				
Buildings and facilities.....	2,976,573	-	-	2,976,573
Improvements other than buildings.....	79,245	130,000	-	209,245
Machinery and equipment.....	791,484	-	-	791,484
Vehicles.....	52,465	-	-	52,465
Infrastructure.....	424,268	-	-	424,268
Total capital assets being depreciated.....	4,324,035	130,000	-	4,454,035
<u>Less accumulated depreciation for:</u>				
Buildings and facilities.....	(297,657)	(74,414)	-	(372,071)
Improvements other than buildings.....	(4,953)	(1,981)	-	(6,934)
Machinery and equipment.....	(138,509)	(40,876)	-	(179,385)
Vehicles.....	(47,219)	(5,246)	-	(52,465)
Infrastructure.....	(42,111)	(10,607)	-	(52,718)
Total accumulated depreciation.....	(530,449)	(133,124)	-	(663,573)
Total capital assets being depreciated, net.....	3,793,586	(3,124)	-	3,790,463
Total water district capital assets, net.....	\$ 5,256,733	\$ 34,120	\$ (130,000)	\$ 5,160,853

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

Governmental Activities:

General government.....	\$ 74,270
Public safety.....	440,443
Education.....	1,090,825
Public works.....	280,273
Human services.....	20,227
Culture and recreation.....	104,416

Total depreciation expense - governmental activities..... \$ 2,010,454

Business-Type Activities:

North Carver Water District.....	\$ 133,122
Cranberry Village.....	<u>2,603</u>
Total depreciation expense - business-type activities.....	<u>\$ 135,725</u>

NOTE 5 – CAPITAL LEASES

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

The following identifies the assets acquired through capital lease agreements:

<u>Asset:</u>	<u>Governmental Activities</u>
Machinery and equipment.....	\$ 2,714,220
Less: accumulated depreciation.....	<u>(1,675,211)</u>
Total.....	<u>\$ 1,039,009</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016 were as follows:

<u>Fiscal Years Ending June 30</u>	<u>Governmental Activities</u>
2017.....	\$ 279,239
2018.....	217,435
2019.....	121,758
2020.....	75,684
2021.....	<u>48,545</u>
Total minimum lease payments.....	742,661
Less: amounts representing interest.....	<u>(56,923)</u>
Present value of minimum lease payments.....	<u>\$ 685,738</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

There were no receivables or payables between funds at June 30, 2016. Interfund transfers for the year ended June 30, 2016, are summarized as follows:

Operating Transfers Out:	Operating Transfers In:					Total
	General Fund	Town Capital Projects	Nonmajor Governmental Funds	North Carver Water District		
General Fund.....	\$ -	\$ 185,000	\$ 297,038	\$ 240,472	\$	722,510 (1)
Receipts Reserved for Appropriation....	328,893	300,000	-	-		628,893 (1)
Nonmajor Governmental Funds.....	12,443	-	-	-		12,443 (1)
North Carver Water District.....	37,129	-	-	-		37,129 (1)
Cranberry Village.....	1,954	-	-	-		1,954 (1)
Total.....	\$ 380,419	\$ 485,000	\$ 297,038	\$ 240,472	\$	1,402,929

(1) Represent budgeted transfers of ambulance receipts, revolving funds, other special revenue, capital projects, and indirect costs.

NOTE 7 - SHORT-TERM FINANCING

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

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

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise fund, respectively. Details related to the short-term debt activity for the year ended June 30, 2016, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2015	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2016
Governmental Funds							
BAN	Municipal Purpose.....	0.55	9/25/2015	\$ 2,000,000	\$ -	\$ 2,000,000	\$ -
BAN	Municipal Purpose.....	1.25	3/18/2016	-	4,000,000	4,000,000	-
Total governmental funds.....				\$ 2,000,000	\$ 4,000,000	\$ 6,000,000	\$ -

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, 2016, 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, 2015	Issued	Redeemed	Outstanding at June 30, 2016
Town Hall Refunding.....	2017	1,185,000	3.27	\$ 249,000	-	131,000	\$ 118,000
Library Refunding.....	2017	969,000	3.27	160,000	-	110,000	50,000
Land Acquisition.....	2017	900,000	3.27	200,000	-	100,000	100,000
Septic System Betterment.....	2017	199,807	4.5-6.0	22,202	-	11,100	11,102
Municipal Purpose Loan of 2016 - Fire Station.....	2036	8,230,000	3.0-5.0	-	8,230,000	-	8,230,000
Municipal Purpose Loan of 2016 - Fire Engines.....	2026	1,770,000	5.00	-	1,770,000	-	1,770,000
Municipal Purpose Loan of 2016 - Elementary School....	2041	20,000,000	3.25-5.00	-	20,000,000	-	20,000,000
				631,202	30,000,000	352,100	30,279,102
Premium amortization.....				-	1,904,440	-	1,904,440
Total.....				\$ 631,202	\$ 31,904,440	\$ 352,100	\$ 32,183,542

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

Year	Principal	Interest	Total
2017.....\$	1,344,100	\$ 1,146,833	\$ 2,490,933
2018.....	1,085,000	1,090,550	2,175,550
2019.....	1,110,000	1,036,300	2,146,300
2020.....	1,135,000	980,800	2,115,800
2021.....	1,155,000	924,050	2,079,050
2022.....	1,185,000	866,300	2,051,300
2023.....	1,210,000	807,050	2,017,050
2024.....	1,240,000	746,550	1,986,550
2025.....	1,275,000	684,550	1,959,550
2026.....	1,310,000	620,800	1,930,800
2027.....	1,170,000	555,300	1,725,300
2028.....	1,190,000	520,200	1,710,200
2029.....	1,215,000	484,500	1,699,500
2030.....	1,240,000	448,050	1,688,050
Thereafter.....	13,415,000	2,413,075	15,828,075
Total.....\$	30,279,100	\$ 13,324,908	\$ 43,604,008

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

Bonds Payable Schedule – Enterprise Funds

Business-Type Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-Term Bonds.....	\$ 4,850,315	\$ -	\$ (68,119)	\$ 4,782,196	\$ 170,674

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017.....	\$ 170,674	\$ 183,082	\$ 353,756
2018.....	173,324	174,807	348,131
2019.....	176,073	166,183	342,256
2020.....	178,926	158,330	337,256
2021.....	181,886	151,370	333,256
2022.....	84,956	146,300	231,256
2023.....	88,143	143,113	231,256
2024.....	91,448	139,808	231,256
2025.....	94,877	136,379	231,256
2026.....	98,435	132,821	231,256
2027.....	102,126	129,130	231,256
2028.....	105,956	125,300	231,256
2029.....	109,929	121,327	231,256
2030.....	114,052	117,204	231,256
Thereafter.....	<u>3,011,391</u>	<u>1,201,870</u>	<u>4,213,261</u>
	<u>\$ 4,782,196</u>	<u>\$ 3,227,024</u>	<u>\$ 8,009,220</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, 2016, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Fire Station Project.....	\$ 520,000
Fire Engines.....	30,000
Structural Repairs.....	7,430,000
CPA.....	1,000,000
New elementary School.....	<u>29,102,661</u>
Total.....	<u>\$ 38,082,661</u>

Changes in Long-term Liabilities

During the year ended June 30, 2016, 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.....	\$ 631,200	\$ 30,000,000	\$ (352,100)	\$ 30,279,100	\$ 1,344,100
Premium on bonds.....	-	1,904,440	-	1,904,440	162,682
	631,200	31,904,440	(352,100)	32,183,540	1,506,782
Capital Lease Obligations.....	985,493	-	(299,755)	685,738	253,832
Landfill.....	1,000,000	-	-	1,000,000	130,000
Compensated Absences.....	746,609	48,742	-	795,351	370,471
Other Postemployment Benefits....	<u>22,749,039</u>	<u>2,323,062</u>	<u>-</u>	<u>25,072,101</u>	<u>-</u>
Total.....	<u>\$ 26,112,341</u>	<u>\$ 34,276,244</u>	<u>\$ (651,855)</u>	<u>\$ 59,736,730</u>	<u>\$ 2,261,085</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.....	\$ 4,850,315	\$ -	\$ (68,119)	\$ 4,782,196	\$ 170,674

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, 2016, the governmental fund balances consisted of the following:

	<u>General</u>	<u>Community Preservation</u>	<u>Receipts Reserved for Appropriation</u>	<u>Town Capital Projects</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.....	-	2,677,363	-	-	-	2,677,363
Town receipts reserved.....	-	-	1,473,792	-	-	1,473,792
Town gift and grant funds.....	-	-	-	-	206,827	206,827
School lunch.....	-	-	-	-	14,247	14,247
School gift and grant funds.....	-	-	-	-	261,057	261,057
Town other special revenue funds.....	-	-	-	-	1,105,847	1,105,847
Town capital projects.....	-	-	-	23,419,338	-	23,419,338
Expendable trust funds.....	-	-	-	-	791,239	791,239
Committed to:						
General government.....	644,042	-	-	-	-	644,042
Public safety.....	2,566	-	-	-	-	2,566
Education.....	459,552	-	-	-	-	459,552
Public works.....	79,901	-	-	-	-	79,901
Human services.....	21,000	-	-	-	-	21,000
Employee benefits.....	135,250	-	-	-	-	135,250
Assigned to:						
General government.....	6,652	-	-	-	-	6,652
Public safety.....	504	-	-	-	-	504
Education.....	15,597	-	-	-	-	15,597
Public works.....	108	-	-	-	-	108
Employee benefits.....	3,060	-	-	-	-	3,060
Unassigned.....	6,878,212	-	-	-	-	6,878,212
TOTAL FUND BALANCES.....	\$ 8,246,444	\$ 2,677,363	\$ 1,473,792	\$ 23,419,338	\$ 2,544,681	\$ 38,361,618

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 \$2,398,684 and is reported as unassigned 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, 2016, 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 covering eligible employees of the 61 member units. The System is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan.

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Town to the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided

contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2015. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$2,836,154 is reported in the general fund as intergovernmental revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Town is \$34,967,234 as of the measurement date.

Benefits Provided

Both the Association and the System provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

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 Board and are borne by the System.

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the Association a legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. The Town's proportionate share of the required contribution for the year ended December 31, 2015, was \$1,840,130, 26.24% of covered payroll, actuarially determined as an amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The Town's actual contribution was 1,804,375.

Pension Liabilities

At June 30, 2016, the Town reported a liability of \$17,316,474 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2015, the Town's proportion was 2.73%, which did not change from its proportion measured at December 31, 2014.

Pension Expense

For the year ended June 30, 2016, the Town recognized pension expense of \$2,000,641. At June 30, 2016, the Town reported deferred outflows/inflows of resources related to pensions of \$2,015,703 from the net difference between projected and actual investment earnings on pension plan investments and changes in proportions.

The balance of deferred outflows and inflows at June 30, 2016 consist of the following:

<u>Deferred category</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total</u>
Difference between projected and actual earnings.....	\$ 2,039,241	\$ -	\$ 2,039,241
Changes in proportionate share of contributions.....	-	(23,538)	(23,538)
Total Deferred Outflows/(Inflows) of Resources.....	\$ <u>2,039,241</u>	\$ <u>(23,538)</u>	\$ <u>2,015,703</u>

The deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017.....	549,966
2018.....	549,966
2019.....	549,966
2020.....	<u>365,805</u>
Total.....	<u>2,015,703</u>

Actuarial Assumptions

The total pension liability in the January 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as of December 31, 2015:

Valuation date.....	January 1, 2014
Actuarial cost method.....	Individual Entry Age Normal Cost Method.
Amortization method.....	Payments increase at 4.0%, except for 2010 Early Retirement Incentive, which is a level payment.
Remaining amortization period.....	17 Years
Asset valuation method.....	Assets held by the fund are valued at market value as reported by the Public Employees' Retirement System Commission.
Inflation rate.....	4.00%
Projected salary increases.....	Varies by length of service with ultimate rates of 3.75% per year
Cost of living adjustments.....	3.0% of the first \$13,000 of retirement income.
Rates of retirement.....	Varies based upon age for general employees, police and fire employees.

Rates of disability.....	For general employees, it was assumed that 45% of all disabilities are ordinary (55% are service connected). For police and fire employees, 10% of all disabilities are assumed to be ordinary (90% are service connected).
Mortality Rates:	
Pre-Retirement.....	The RP-2000 Mortality Table adjusted to 2016 with Scale AA.
Healthy Retiree.....	The RP-2000 Mortality Table adjusted to 2016 with Scale AA.
Disabled Retiree.....	The RP-2000 Mortality Table set forward two years for all disabled members.
Investment rate of return/Discount rate.....	8.0%, net of pension plan investment expense, including inflation

Investment policy

The Association's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity.....	33.00%	10.20%
Foreign equity.....	16.00%	11.00%
Total fixed income.....	25.50%	7.90%
Real estate/real assets.....	13.00%	9.30%
Private equity.....	7.50%	14.60%
Hedge fund.....	4.00%	8.70%
Cash.....	1.00%	4.00%

Rate of return

For the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was .25%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future

benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 8.0% as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate:

	1% Decrease (7.0%)	Current Discount (8.0%)	1% Increase (9.0%)
The Town's proportionate share of the net pension liability.....	\$ 21,484,218	\$ 17,316,474	\$ 13,742,351

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 2016, contributions to the plan totaled approximately \$1,367,286.

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.....	\$ 3,948,415
Interest on net OPEB obligation.....	909,961
Adjustment to annual required contribution.....	<u>(1,168,028)</u>
Annual OPEB cost (expense).....	3,690,348
Contributions made.....	<u>(1,367,286)</u>
Increase/Decrease in net OPEB obligation.....	2,323,062
Net OPEB obligation - beginning of year.....	<u>22,749,039</u>
Net OPEB obligation - end of year.....	<u>\$ 25,072,101</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 was as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 3,690,348	37%	\$ 25,072,101
6/30/2015	4,893,675	28%	22,749,039
6/30/2014	4,579,373	26%	15,857,666

Funded Status and Funding Progress – As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$41,375,269 and the actuarial value of assets was \$24,775, resulting in an unfunded actuarial accrued liability of \$41,350,494. 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, 2016.

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, 2015, actuarial valuation, actuarial liabilities were determined using the entry age normal cost method. The actuarial assumptions included a 4% investment return assumption, which is based on the expected yield on the assets of the Town, calculated based on the funded level of the plan at the valuation date, and an annual medical/drug cost trend rate of 5% and included a 2.5% inflation assumption. The amortization of UAAL is level dollar amortization over 30 years at last valuation. The remaining amortization period at July 1, 2015 is 23 years.

NOTE 13 - COMMITMENTS

Town meeting authorized the borrowing of \$67,950,272 for a new Central Fire Station/Training Center, fire engines, and structural repairs for schools.

NOTE 14 - CONTINGENCIES

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, these programs are still 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 it is expected 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, 2016, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2016.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 26, 2017, which is the date the financial statements were available to be issued.

NOTE 16 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2016, the following GASB pronouncements were implemented:

- GASB Statement #72, *Fair Value Measurement and Application*. Notes to the basic financial statements were changed to provide additional disclosure on fair value measurement.
- GASB Statement #73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This pronouncement did not impact the basic financial statements.
- GASB Statement #76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This pronouncement did not impact the basic financial statements.

- GASB Statement #79, *Certain External Investment Pools and Pool Participants*. The basic financial statements and related notes were updated to be in compliance with this pronouncement.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in 2017.
- The GASB issued Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is required to be implemented in 2018.
- The GASB issued Statement #77, *Tax Abatement Disclosures*, which is required to be implemented in 2017.
- The GASB issued Statement #78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which is required to be implemented in 2017.
- The GASB issued Statement #80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*, which is required to be implemented in 2017.
- The GASB issued Statement #81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018.
- The GASB issued Statement #82, *Pension Issues – an amendment of GASB Statements #67, #68, and #73*, which is required to be implemented in 2018.

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

Required Supplementary Information

General Fund Budgetary Schedule

The General Fund is the general operating fund of the Town. It is used to account for all the financial resources, except those required to be accounted for in another fund.

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

YEAR ENDED JUNE 30, 2016

	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.....	\$ -	\$ 21,649,429	\$ 21,649,429	\$ 21,649,429
Tax liens.....	-	-	-	-
Motor vehicle and other excise taxes.....	-	1,470,000	1,470,000	1,470,000
Penalties and interest on taxes.....	-	142,814	142,814	142,814
Payments in lieu of taxes.....	-	26,000	26,000	26,000
Fines and forfeitures.....	-	28,000	28,000	28,000
Intergovernmental.....	-	11,633,299	11,633,299	11,633,299
Departmental and other.....	-	653,276	653,276	653,276
Investment income.....	-	12,589	12,589	12,589
Miscellaneous.....	-	-	-	-
TOTAL REVENUES.....	-	35,615,407	35,615,407	35,615,407
EXPENDITURES:				
Current:				
General government.....	205,893	3,071,816	3,277,709	3,579,530
Public safety.....	10,347	3,318,822	3,329,169	3,347,769
Education.....	17,321	24,046,860	24,064,181	24,041,135
Public works.....	93,954	1,180,988	1,274,942	1,429,090
Human services.....	2,682	518,509	521,191	531,844
Culture and recreation.....	-	384,644	384,644	388,183
Pension benefits.....	-	1,189,876	1,189,876	1,159,876
Employee benefits.....	35,250	1,156,892	1,192,142	1,162,142
State and county charges.....	-	703,381	703,381	703,381
Capital lease payments.....	-	336,609	336,609	336,609
Debt service:				
Principal.....	-	252,100	252,100	252,100
Interest.....	-	304,915	304,915	294,915
TOTAL EXPENDITURES.....	365,447	36,465,412	36,830,859	37,226,574
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(365,447)	(850,005)	(1,215,452)	(1,611,167)
OTHER FINANCING SOURCES (USES):				
Transfers in.....	-	3,117,315	3,117,315	3,117,315
Transfers out.....	-	(2,537,310)	(2,537,310)	(3,507,854)
TOTAL OTHER FINANCING SOURCES (USES).....	-	580,005	580,005	(390,539)
NET CHANGE IN FUND BALANCE.....	(365,447)	(270,000)	(635,447)	(2,001,706)
BUDGETARY FUND BALANCE, Beginning of year.....	-	2,942,550	2,942,550	2,942,550
BUDGETARY FUND BALANCE, End of year.....	\$ (365,447)	\$ 2,672,550	\$ 2,307,103	\$ 940,844

See notes to required supplementary information.

Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$ 21,666,464	\$ -	\$ 17,035
243,659	-	243,659
1,699,157	-	229,157
212,549	-	69,735
28,001	-	2,001
5,635	-	(22,365)
11,748,401	-	115,102
1,081,721	-	428,445
94,655	-	82,066
214,762		214,762
36,995,004	-	1,379,597
2,664,964	650,694	263,872
3,299,801	3,070	44,898
23,565,551	475,149	435
1,293,702	80,009	55,379
505,751	21,000	5,093
383,344	-	4,839
1,098,179	-	61,697
1,006,919	138,310	16,913
619,834	-	83,547
336,609	-	-
252,100	-	-
46,483	-	248,432
35,073,237	1,368,232	785,105
1,921,767	(1,368,232)	2,164,702
2,838,774	-	(278,541)
(3,507,854)	-	-
367,749	-	758,288
2,289,516		
2,942,550		
\$ 5,232,066		

Pension Plan Schedules

The Schedule of the Town's Proportionate Share of the Net Pension Liability presents multi-year trend information on the Town's net pension liability and related ratios.

The Schedule of Contributions presents multi-year trend information on the Town's required and actual contributions to the pension plan and related ratios.

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers Contributory Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the Town along with related ratios.

These schedules are intended to present information for ten years. Until a ten year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
PLYMOUTH COUNTY RETIREMENT ASSOCIATION**

	December 31, 2014	December 31, 2015
Town's proportion of the net pension liability (asset).....	2.73%	2.73%
Town's proportionate share of the net pension liability (asset)..... \$	15,915,317	\$ 17,316,474
Town's covered employee payroll (*). \$	6,641,114	\$ 6,889,118
Net pension liability as a percentage of covered-employee payroll.....	239.65%	251.36%
Plan fiduciary net position as a percentage of the total pension liability.....	58.90%	56.80%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for
which information is available.

See notes to required supplementary information.

SCHEDULE OF CONTRIBUTIONS

	December 31, 2014	December 31, 2015
Actuarially determined contribution (a).....	\$ 1,705,207	\$ 1,840,130
Contributions in relation to the actuarially determined contribution.....	<u>(1,705,207)</u>	<u>(1,804,375)</u>
Contribution deficiency (excess).....	<u>\$ -</u>	<u>\$ 35,755</u>
Covered-employee payroll (*).....	\$ 6,641,114	\$ 6,889,118
Contributions as a percentage of covered- employee payroll.....	25.68%	26.19%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those
years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS
OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the Town does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Town; the portion of the collective pension expense as both a revenue and pension expense recognized by the Town; and the Plan's fiduciary net position as a percentage of the total liability.

<u>Fiscal Year</u>	<u>Commonwealth's 100% Share of the Net Pension Liability Associated with the Town</u>	<u>Town's Expense and Revenue Recognized for the Commonwealth's Support</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Liability</u>
2016.....	\$ 34,967,234	\$ 2,836,154	55.38%
2015.....	28,953,522	2,011,540	61.64%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

The Schedule of Funding progress compares, over time, the actuarial accrued liability for benefits with the actuarial value of accumulated plan assets.

The Schedule of Employer Contributions presents multi-year trend information for required and actual contributions relating to the plan.

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

OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

JUNE 30, 2016

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)
7/1/2015	\$ 24,775	\$ 41,375,269	\$ 41,350,494	0.1%	\$ N/A	N/A
7/1/2013	\$ -	\$ 45,804,226	\$ 45,804,226	0.0%	\$ N/A	N/A
7/1/2011	-	42,876,017	42,876,017	0.0%	N/A	N/A

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Actual Contributions Made	Percentage Contributed
2016	\$ 3,948,415	\$ 1,367,286	35%
2015	4,775,356	1,367,915	29%
2014	4,669,515	1,287,597	28%
2013	4,893,201	1,212,659	25%
2012	4,352,129	1,124,532	26%

See notes to required supplementary information.

OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL METHODS AND ASSUMPTIONS

YEAR ENDED JUNE 30, 2016

Actuarial Methods:

Valuation date	July 1, 2015
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar amortization over 30 years at last valuation
Remaining amortization period	23 years at July 1, 2015

Actuarial Assumptions:

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

Plan Membership:

Active members	308
Retirees/Disabled	<u>245</u>
Total	<u><u>553</u></u>

See notes to required supplementary information.

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

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

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original 2016 approved budget authorized \$39.0 million in appropriations and other amounts to be raised and \$365,000 in encumbrances and appropriations carried over from previous years. During 2016, Town Meeting approved an increase in original appropriations totaling \$1.4 million.

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

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2016, is presented below:

Net change in fund balance - budgetary basis.....	\$	2,289,516
<u>Perspective difference:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		278,372
<u>Basis of accounting differences:</u>		
Increase in revenues due adjustments for modified accrual basis of accounting.....		94,199
Increase in revenues due to on-behalf payments.....		2,836,154
Increase in expenditures due to on-behalf payments.....		(2,836,154)
Net change in fund balance - GAAP basis.....	\$	<u>2,662,087</u>

NOTE B – PENSION PLANSchedule of the Town's Proportionate Share of the Net Pension Liability

The Schedule of the Town's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

Schedule of Town's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The appropriations are payable on July 1 and January 1. The Town may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual contributions may be less than the "total appropriation". The pension fund appropriation is allocated to the Town based on covered payroll.

Changes in Assumptions:

The actuarial cost method was changed to better reflect the impact of the plan changes effective for employees hired on or after April 2, 2012.

The investment return assumption was decreased from 7.875% to 7.75%

The assumed rates of salary increases were revised to more accurately reflect recent experience and future expectations.

The pre-retirement mortality assumption was changed from the RP-2000 Employee Mortality Table projected 12 years with Scale AA to the RP-2000 Employee Mortality Table projected generationally using Scale AA from 2010.

The post-retirement mortality assumption for non-disabled participants was changed from the RP-2000 Healthy Annuitant Mortality Table projected 12 years with Scale AA to the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale AA from 2010.

The mortality assumption for disabled participants was changed from the RP-2000 Healthy Annuitant Mortality Table set forward two years projected 12 years with Scale AA to the RP-2000 Healthy Annuitant Mortality Table set forward three years for males only projected generationally using Scale AA from 2010.

The assumed retirement age for inactive vested participants was changed from age 65 to age 55 for Group 1 and 2 members hired prior to April 2, 2012.

Changes in Plan Provisions:

As permitted by Section 19 of Chapter 188 of the Acts of 2010, the Cost of Living Adjustment base was increased from \$14,000 to \$15,000 as of July 1, 2013.

Members hired on or after April 2, 2012 are covered by the provisions of Chapter 32 as amended by Chapter 176 of the Acts of 2011 and Chapter 139 of the Acts of 2012.

As permitted by Section 63 of Chapter 139 of the Acts of 2012, the Board has increased the Section 1010 annual allowance from \$9,000 to \$12,000.

As permitted by Section 29 of Chapter 176 of the Acts of 2011, the Board has increased the Section 12 monthly allowance from \$250 to \$500.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

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

The Town currently finances its other post-employment benefits (OPEB) on a pay-as-you-go basis. As a result, the funded ratio (actuarial value of assets expressed as a percentage of the actuarial accrued liability) is 0.1%. 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.