

***TOWN OF CARVER, MASSACHUSETTS***

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

***YEAR ENDED JUNE 30, 2018***

TOWN OF CARVER, MASSACHUSETTS

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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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, 2018, 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, 2018, 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 December 18, 2018, 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, appearing to read "Powers & Sullivan LLC".

December 18, 2018

# ***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, 2018. 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 \$25.1 million at the close of 2018. Key components of the Town's financial position are listed below.

Net position of \$53.0 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, \$3.8 million, represents resources that are subject to external restrictions on how they may be used. The remaining deficit balance of unrestricted net position totals \$31.8 million. This is due to the OPEB and pension liability of \$38.5 million and \$15.7 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 \$22.7 million at the close of 2018.

The following table provides a summary of the financial highlights of the Town's governmental activities for 2018 and 2017.

	2018	2017 (As Revised)
<b>Assets:</b>		
Current assets.....	\$ 28,703,112	\$ 30,576,982
Noncurrent assets (excluding capital).....	-	330,279
Capital assets, non depreciable.....	55,181,858	23,082,692
Capital assets, net of accumulated depreciation.....	29,970,820	30,923,897
<b>Total assets.....</b>	<b>113,855,790</b>	<b>84,913,850</b>
<b>Deferred outflows of resources.....</b>	<b>3,089,435</b>	<b>3,112,122</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	5,162,757	4,450,305
Noncurrent liabilities (excluding debt).....	55,537,849	47,443,214
Current debt.....	1,853,216	4,286,525
Noncurrent debt.....	30,582,567	29,822,139
<b>Total liabilities.....</b>	<b>93,136,389</b>	<b>86,002,183</b>
<b>Deferred inflows of resources.....</b>	<b>1,095,821</b>	<b>547,664</b>
<b>Net position:</b>		
Net investment in capital assets.....	52,486,514	31,750,421
Restricted.....	3,814,826	14,162,097
Unrestricted.....	(33,588,325)	(44,436,393)
<b>Total net position.....</b>	<b>\$ 22,713,015</b>	<b>\$ 1,476,125</b>
<b>Program Revenues:</b>		
Charges for services.....	\$ 2,962,426	\$ 2,711,776
Operating grants and contributions.....	16,450,841	17,041,100
Capital grants and contributions.....	22,884,006	573,740
<b>General Revenues:</b>		
Real estate and personal property taxes, net of tax refunds payable.....	24,584,460	24,231,097
Tax and other liens.....	293,721	135,643
Motor vehicle and other excise taxes.....	1,816,101	1,813,829
Meals tax.....	124,687	121,282
Penalties and interest on taxes.....	162,932	35,286
Payments in lieu of taxes.....	75,929	9,000
Grants and contributions not restricted to specific programs.....	1,763,072	1,634,434
Unrestricted investment income.....	235,333	297,582
<b>Total revenues.....</b>	<b>71,353,508</b>	<b>48,604,769</b>
<b>Expenses:</b>		
General government.....	3,294,306	3,350,060
Public safety.....	6,294,972	5,463,838
Education.....	28,020,301	35,208,733
Public works.....	2,152,132	2,328,900
Health and human services.....	931,478	888,646
Culture and recreation.....	702,763	613,810
Community preservation.....	458,555	75,132
Interest.....	971,776	968,657
<b>Total expenses.....</b>	<b>42,826,283</b>	<b>48,897,776</b>
<b>Excess (Deficiency) before transfers.....</b>	<b>28,527,225</b>	<b>(293,007)</b>
<b>Transfers.....</b>	<b>(371,698)</b>	<b>(252,885)</b>
<b>Change in net position.....</b>	<b>28,155,527</b>	<b>(545,892)</b>
<b>Net position, beginning of year (as revised).....</b>	<b>(5,442,512)</b>	<b>2,022,017</b>
<b>Net position, end of year.....</b>	<b>\$ 22,713,015</b>	<b>\$ 1,476,125</b>

The governmental activities net position increased by \$28.2 during the current year. This increase was primarily due to MSBA reimbursements for the new elementary school.

### Business-type Activities

For the Town's business-type activities, assets exceeded liabilities by \$2.3 million at the close of 2018. There was an overall increase of \$147,000 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 2018 and 2017.

	2018	2017
<b>Assets:</b>		
Current assets.....	\$ 913,901	\$ 708,781
Noncurrent assets (excluding capital).....	994,903	1,179,408
Capital assets, non depreciable.....	1,370,390	1,370,390
Capital assets, net of accumulated depreciation.....	3,624,868	3,678,163
<b>Total assets.....</b>	<b>6,904,062</b>	<b>6,936,742</b>
<b>Liabilities:</b>		
Current liabilities (excluding debt).....	116,359	122,451
Current debt.....	176,073	173,324
Noncurrent debt.....	4,262,125	4,438,198
<b>Total liabilities.....</b>	<b>4,554,557</b>	<b>4,733,973</b>
<b>Net position:</b>		
Net investment in capital assets.....	557,060	437,031
Unrestricted.....	1,792,445	1,765,738
<b>Total net position.....</b>	<b>\$ 2,349,505</b>	<b>\$ 2,202,769</b>
<b>Program Revenues:</b>		
Charges for services.....	\$ 142,777	\$ 264,212
Capital grants and contributions.....	25,299	40,918
<b>General Revenues:</b>		
Unrestricted investment income.....	6,166	3,298
<b>Total revenues.....</b>	<b>174,242</b>	<b>308,428</b>
<b>Expenses:</b>		
North Carver Water District.....	362,971	480,746
Cranberry Village.....	36,232	57,248
<b>Total expenses.....</b>	<b>399,203</b>	<b>537,994</b>
<b>Excess (Deficiency) before transfers.....</b>	<b>(224,961)</b>	<b>(229,566)</b>
<b>Transfers.....</b>	<b>371,698</b>	<b>252,885</b>
<b>Change in net position.....</b>	<b>146,737</b>	<b>23,319</b>
<b>Net position, beginning of year.....</b>	<b>2,202,768</b>	<b>2,179,450</b>
<b>Net position, end of year.....</b>	<b>\$ 2,349,505</b>	<b>\$ 2,202,769</b>

## ***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 \$19.7 million, a decrease of \$1.4 million from the prior year. This is attributable the expenditures in the Town's capital projects and Community preservation major funds.

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 \$5.9 million, while total fund balance equaled \$8.9 million. Included in unassigned fund balance is the Town's stabilization fund and capital stabilization of \$2.95 million and \$1.1 million, respectively. 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 13.9% of total general fund expenditures, while total fund balance represents 20.9% 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, 2018, the fund balance was \$2.7 million, an decrease of \$423,000.

The Capital Projects Fund is used to account for the various capital projects within the Town. At the end of the year fund balance totaled \$3.4 million. This was a decrease of \$2.3 million due to expenditures for the elementary school.

## ***General Fund Budgetary Highlights***

The Town adopts an annual budget for the general fund. The original 2018 approved budget for the general fund authorized approximately \$42.9 million in appropriations and other amounts to be raised. During 2018, Town Meeting also approved supplemental appropriations totaling approximately \$1.5 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, 2018, amounts to \$90.1 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 Elementary School project, Middle/High School renovation, public safety vehicles, equipment acquisitions and Chapter 90 work.

**Long-term debt.** At the end of the current year, the Town had total bonded debt outstanding of \$32.4 million and \$4.4 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, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT:</b>			
Cash and cash equivalents.....	\$ 20,712,817	\$ 789,224	\$ 21,502,041
Investments.....	2,965,088	-	2,965,088
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	570,972	-	570,972
Tax liens.....	547,792	-	547,792
Community preservation fund surtax.....	11,891	-	11,891
Motor vehicle and other excise taxes.....	186,092	-	186,092
User charges.....	-	10,566	10,566
Departmental and other.....	251,862	-	251,862
Intergovernmental.....	3,001,646	-	3,001,646
Community preservation state share.....	47,000	-	47,000
Special assessments.....	56,779	114,111	170,890
Loans.....	20,894	-	20,894
Tax foreclosures.....	330,279	-	330,279
Total current assets.....	28,703,112	913,901	29,617,013
<b>NONCURRENT:</b>			
Receivables, net of allowance for uncollectibles:			
Special assessments.....	-	994,903	994,903
Capital assets, nondepreciable.....	55,181,858	1,370,390	56,552,248
Capital assets, net of accumulated depreciation.....	29,970,820	3,624,868	33,595,688
Total noncurrent assets.....	85,152,678	5,990,161	91,142,839
<b>TOTAL ASSETS.....</b>	<b>113,855,790</b>	<b>6,904,062</b>	<b>120,759,852</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions.....	929,368	-	929,368
Deferred outflows related to other postemployment benefits.....	2,160,067	-	2,160,067
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES.....</b>	<b>3,089,435</b>	<b>-</b>	<b>3,089,435</b>
<b>LIABILITIES</b>			
<b>CURRENT:</b>			
Warrants payable.....	3,597,984	27,052	3,625,036
Accrued interest.....	302,255	89,307	391,562
Other liabilities.....	369,553	-	369,553
Customer deposits.....	321,431	-	321,431
Capital lease obligations.....	112,917	-	112,917
Landfill closure.....	90,000	-	90,000
Compensated absences.....	368,617	-	368,617
Bonds payable.....	1,853,216	176,073	2,029,289
Total current liabilities.....	7,015,973	292,432	7,308,405
<b>NONCURRENT:</b>			
Capital lease obligations.....	117,464	-	117,464
Landfill closure.....	810,000	-	810,000
Compensated absences.....	482,471	-	482,471
Net pension liability.....	15,652,446	-	15,652,446
Net other postemployment benefits liability.....	38,475,468	-	38,475,468
Bonds payable.....	30,582,567	4,262,125	34,844,692
Total noncurrent liabilities.....	86,120,416	4,262,125	90,382,541
<b>TOTAL LIABILITIES.....</b>	<b>93,136,389</b>	<b>4,554,557</b>	<b>97,690,946</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions.....	1,074,972	-	1,074,972
Deferred inflows related to other postemployment benefits.....	20,849	-	20,849
<b>TOTAL DEFERRED INFLOWS OF RESOURCES.....</b>	<b>1,095,821</b>	<b>-</b>	<b>1,095,821</b>
<b>NET POSITION</b>			
Net investment in capital assets.....	52,486,514	557,060	53,043,574
Restricted for:			
Permanent funds:			
Expendable.....	1,062,052	-	1,062,052
Community preservation.....	2,752,774	-	2,752,774
Unrestricted.....	(33,588,325)	1,792,445	(31,795,880)
<b>TOTAL NET POSITION.....</b>	<b>\$ 22,713,015</b>	<b>\$ 2,349,505</b>	<b>\$ 25,062,520</b>

See notes to basic financial statements.

# STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Primary Government:					
Governmental Activities:					
General government.....	\$ 3,294,306	\$ 831,986	\$ 167,827	\$ -	\$ (2,294,493)
Public safety.....	6,294,972	1,165,203	40,726	-	(5,089,043)
Education.....	28,020,301	514,772	15,824,663	21,869,566	10,188,700
Public works.....	2,152,132	91,236	151,696	416,638	(1,492,562)
Health and human services.....	931,478	330,707	245,644	-	(355,127)
Culture and recreation.....	702,763	28,522	20,285	-	(653,956)
Community preservation.....	458,555	-	-	597,802	139,247
Interest.....	971,776	-	-	-	(971,776)
Total Governmental Activities.....	42,826,283	2,962,426	16,450,841	22,884,006	(529,010)
Business-Type Activities:					
North Carver Water District.....	362,971	142,777	-	-	(220,194)
Cranberry Village.....	36,232	-	-	25,299	(10,933)
Total Business-Type Activities.....	399,203	142,777	-	25,299	(231,127)
Total Primary Government.....	\$ 43,225,486	\$ 3,105,203	\$ 16,450,841	\$ 22,909,305	\$ (760,137)

See notes to basic financial statements.

(Continued)

**STATEMENT OF ACTIVITIES (continued)**

YEAR ENDED JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Changes in net position:</b>			
Net (expense) revenue from previous page..... \$	<b>(529,010)</b>	<b>(231,127)</b>	<b>(760,137)</b>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	24,584,460	-	24,584,460
Tax and other liens.....	293,721	-	293,721
Motor vehicle and other excise taxes.....	1,816,101	-	1,816,101
Meals tax.....	124,687	-	124,687
Penalties and interest on taxes.....	162,932	-	162,932
Payments in lieu of taxes.....	75,929	-	75,929
Grants and contributions not restricted to specific programs.....	1,763,072	-	1,763,072
Unrestricted investment income.....	235,333	6,166	241,499
<i>Transfers, net</i> .....	<u>(371,698)</u>	<u>371,698</u>	<u>-</u>
Total general revenues and transfers.....	<u>28,684,537</u>	<u>377,864</u>	<u>29,062,401</u>
Change in net position.....	28,155,527	146,737	28,302,264
<i>Net position:</i>			
Beginning of year.....	<u>(5,442,512)</u>	<u>2,202,768</u>	<u>(3,239,744)</u>
End of year..... \$	<u><u>22,713,015</u></u>	<u><u>2,349,505</u></u>	<u><u>25,062,520</u></u>

See notes to basic financial statements.

(Concluded)

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

JUNE 30, 2018

	General	Community Preservation	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents.....	\$ 7,347,159	\$ 2,687,182	\$ 6,135,537	\$ 4,542,939	\$ 20,712,817
Investments.....	2,965,088	-	-	-	2,965,088
Receivables, net of uncollectibles:					
Real estate and personal property taxes.....	570,972	-	-	-	570,972
Tax liens.....	540,227	7,565	-	-	547,792
Community preservation fund surtax.....	-	11,891	-	-	11,891
Motor vehicle and other excise taxes.....	186,092	-	-	-	186,092
Departmental and other.....	9,380	-	-	242,482	251,862
Intergovernmental.....	338,370	-	1,355,100	1,308,176	3,001,646
Community preservation state share.....	-	47,000	-	-	47,000
Special assessments.....	-	-	-	56,779	56,779
Loans.....	-	-	-	20,894	20,894
Tax foreclosures.....	329,904	375	-	-	330,279
<b>TOTAL ASSETS.....</b>	<b>\$ 12,287,192</b>	<b>\$ 2,754,013</b>	<b>\$ 7,490,637</b>	<b>\$ 6,171,270</b>	<b>\$ 28,703,112</b>
<b>LIABILITIES</b>					
Warrants payable.....	\$ 771,502	\$ 1,239	\$ 2,755,295	\$ 69,948	\$ 3,597,984
Other liabilities.....	369,553	-	-	-	369,553
Customer deposits.....	321,431	-	-	-	321,431
<b>TOTAL LIABILITIES.....</b>	<b>1,462,486</b>	<b>1,239</b>	<b>2,755,295</b>	<b>69,948</b>	<b>4,288,968</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue.....	1,860,574	66,832	1,355,100	1,383,316	4,665,822
<b>FUND BALANCES</b>					
Nonspendable.....	-	-	-	161,944	161,944
Restricted.....	-	2,685,942	3,380,242	4,564,157	10,630,341
Committed.....	2,696,443	-	-	-	2,696,443
Assigned.....	319,164	-	-	-	319,164
Unassigned.....	5,948,525	-	-	(8,095)	5,940,430
<b>TOTAL FUND BALANCES.....</b>	<b>8,964,132</b>	<b>2,685,942</b>	<b>3,380,242</b>	<b>4,718,006</b>	<b>19,748,322</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....</b>	<b>\$ 12,287,192</b>	<b>\$ 2,754,013</b>	<b>\$ 7,490,637</b>	<b>\$ 6,171,270</b>	<b>\$ 28,703,112</b>

See notes to basic financial statements.

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

JUNE 30, 2018

Total governmental fund balances.....	\$ 19,748,322
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	85,152,678
Accounts receivable are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.....	4,665,822
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....	1,993,614
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(302,255)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Bonds payable.....	(32,435,783)
Net pension liability.....	(15,652,446)
Net other postemployment benefits liability.....	(38,475,468)
Landfill closure.....	(900,000)
Capital lease obligations.....	(230,381)
Compensated absences.....	(851,088)
Net effect of reporting long-term liabilities.....	<u>(88,545,166)</u>
Net position of governmental activities.....	<u>\$ 22,713,015</u>

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2018

	General	Community Preservation	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Real estate and personal property taxes, net of tax refunds.....	\$ 24,518,227	\$ -	\$ -	\$ -	\$ 24,518,227
Tax liens.....	110,601	2,324	-	-	112,925
Motor vehicle and other excise taxes.....	1,859,293	-	-	-	1,859,293
Meals tax.....	124,687	-	-	-	124,687
Penalties and interest on taxes.....	160,774	1,817	-	341	162,932
Fees and rentals.....	266,132	-	-	-	266,132
Payments in lieu of taxes.....	75,929	-	-	-	75,929
Licenses and permits.....	230,175	-	-	-	230,175
Fines and forfeitures.....	26,332	-	-	-	26,332
Intergovernmental - other.....	16,157,411	-	20,514,466	2,129,400	38,801,277
Departmental and other.....	29,070	-	-	2,764,141	2,793,211
Community preservation taxes.....	-	460,981	-	-	460,981
Community preservation state match.....	-	136,821	-	-	136,821
Investment income.....	405,698	17,265	-	(187,630)	235,333
<b>TOTAL REVENUES.....</b>	<b>43,964,329</b>	<b>619,208</b>	<b>20,514,466</b>	<b>4,706,252</b>	<b>69,804,255</b>
<b>EXPENDITURES:</b>					
Current:					
General government.....	2,216,617	-	-	423,391	2,640,008
Public safety.....	4,082,196	-	1,593	301,082	4,384,871
Education.....	24,375,317	-	27,269,610	1,563,308	53,208,235
Public works.....	1,427,087	-	-	661,983	2,089,070
Health and human services.....	507,912	-	-	217,115	725,027
Culture and recreation.....	417,909	-	-	44,375	462,284
Community preservation.....	-	458,555	-	-	458,555
Pension benefits.....	5,396,287	-	-	-	5,396,287
Employee benefits.....	1,339,329	-	-	-	1,339,329
State and county charges.....	924,738	-	-	-	924,738
Debt service:					
Principal.....	1,085,000	-	-	-	1,085,000
Interest.....	1,150,383	-	-	-	1,150,383
<b>TOTAL EXPENDITURES.....</b>	<b>42,922,775</b>	<b>458,555</b>	<b>27,271,203</b>	<b>3,211,254</b>	<b>73,863,787</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>1,041,554</b>	<b>160,653</b>	<b>(6,756,737)</b>	<b>1,494,998</b>	<b>(4,059,532)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Issuance of bonds.....	-	-	3,000,000	-	3,000,000
Premium from issuance of bonds.....	-	-	412	-	412
Transfers in.....	808,502	-	1,415,235	150,903	2,374,640
Transfers out.....	(1,327,444)	(583,499)	-	(835,395)	(2,746,338)
<b>TOTAL OTHER FINANCING SOURCES (USES)...</b>	<b>(518,942)</b>	<b>(583,499)</b>	<b>4,415,647</b>	<b>(684,492)</b>	<b>2,628,714</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>522,612</b>	<b>(422,846)</b>	<b>(2,341,090)</b>	<b>810,506</b>	<b>(1,430,818)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR.....</b>	<b>8,441,520</b>	<b>3,108,788</b>	<b>5,721,332</b>	<b>3,907,500</b>	<b>21,179,140</b>
<b>FUND BALANCES AT END OF YEAR.....</b>	<b>\$ 8,964,132</b>	<b>\$ 2,685,942</b>	<b>\$ 3,380,242</b>	<b>\$ 4,718,006</b>	<b>\$ 19,748,322</b>

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, 2018

Net change in fund balances - total governmental funds.....		\$ (1,430,818)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....	32,138,524	
Depreciation expense.....	<u>(2,338,798)</u>	
Net effect of reporting capital assets.....		29,799,726
<p>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 differ between the two statements. This amount represents the net change in unavailable revenue.....</p>		
		1,549,253
<p>The issuance of long-term debt 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 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 unavailable and amortized in the Statement of Activities.</p>		
Principal payments on capital leases.....	201,524	
Issuance of bonds.....	(3,000,000)	
Premium from issuance of bonds.....	(412)	
Net amortization of premium from issuance of bonds.....	155,975	
Debt service principal payments.....	<u>1,085,000</u>	
Net effect of reporting long-term debt.....		(1,557,913)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in compensated absences accrual.....	4,211	
Net change in accrued interest on long-term debt.....	15,822	
Net change in deferred outflow/(inflow) of resources related to pensions.....	(2,710,062)	
Net change in net pension liability.....	2,942,979	
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits....	2,139,218	
Net change in net other postemployment benefits liability.....	(2,696,889)	
Net change in landfill closure.....	<u>100,000</u>	
Net effect of recording long-term liabilities.....		<u>(204,721)</u>
Change in net position of governmental activities.....		\$ <u><u>28,155,527</u></u>

See notes to basic financial statements.

**PROPRIETARY FUNDS**  
STATEMENT OF NET POSITION

JUNE 30, 2018

	Business-type Activities - Enterprise Funds		
	North Caver Water District	Cranberry Village	Total
<b>ASSETS</b>			
CURRENT:			
Cash and cash equivalents.....	\$ 582,552	\$ 206,672	\$ 789,224
Receivables, net of allowance for uncollectibles:			
User charges.....	6,632	3,934	10,566
Special assessments.....	114,111	-	114,111
Total current assets.....	703,295	210,606	913,901
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Special assessments.....	994,903	-	994,903
Capital assets, non depreciable.....	1,370,390	-	1,370,390
Capital assets, net of accumulated depreciation.....	3,619,622	5,246	3,624,868
Total noncurrent assets.....	5,984,915	5,246	5,990,161
TOTAL ASSETS.....	6,688,210	215,852	6,904,062
<b>LIABILITIES</b>			
CURRENT:			
Warrants payable.....	24,479	2,573	27,052
Accrued interest.....	89,307	-	89,307
Bonds payable.....	176,073	-	176,073
Total current liabilities.....	289,859	2,573	292,432
NONCURRENT:			
Bonds payable.....	4,262,125	-	4,262,125
TOTAL LIABILITIES.....	4,551,984	2,573	4,554,557
<b>NET POSITION</b>			
Net investment in capital assets.....	551,814	5,246	557,060
Unrestricted.....	1,584,412	208,033	1,792,445
TOTAL NET POSITION.....	\$ 2,136,226	\$ 213,279	\$ 2,349,505

See notes to basic financial statements.

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

YEAR ENDED JUNE 30, 2018

	Business-type Activities - Enterprise Funds		
	North Caver Water District	Cranberry Village	Total
<b>OPERATING REVENUES:</b>			
Charges for services.....	\$ 100,787	\$ 25,299	\$ 126,086
<b>OPERATING EXPENSES:</b>			
Cost of services and administration.....	60,035	33,629	93,664
Depreciation.....	131,775	2,603	134,378
<b>TOTAL OPERATING EXPENSES.....</b>	<b>191,810</b>	<b>36,232</b>	<b>228,042</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>(91,023)</b>	<b>(10,933)</b>	<b>(101,956)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment income.....	5,022	1,144	6,166
Interest expense.....	(171,161)	-	(171,161)
Intergovernmental - other.....	41,990	-	41,990
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET.....</b>	<b>(124,149)</b>	<b>1,144</b>	<b>(123,005)</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....</b>	<b>(215,172)</b>	<b>(9,789)</b>	<b>(224,961)</b>
<b>TRANSFERS:</b>			
Transfers in.....	422,015	-	422,015
Transfers out.....	(47,801)	(2,516)	(50,317)
<b>TOTAL TRANSFERS.....</b>	<b>374,214</b>	<b>(2,516)</b>	<b>371,698</b>
<b>CHANGE IN NET POSITION.....</b>	<b>159,042</b>	<b>(12,305)</b>	<b>146,737</b>
<b>NET POSITION AT BEGINNING OF YEAR.....</b>	<b>1,977,184</b>	<b>225,584</b>	<b>2,202,768</b>
<b>NET POSITION AT END OF YEAR.....</b>	<b>\$ 2,136,226</b>	<b>\$ 213,279</b>	<b>\$ 2,349,505</b>

**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**

YEAR ENDED JUNE 30, 2018

	Business-type Activities - Enterprise Funds		
	North Carver Water District	Cranberry Village	Total
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>			
Receipts from customers and users.....	\$ 155,265	\$ 24,919	\$ 180,184
Payments to vendors.....	(52,131)	(43,978)	(96,109)
NET CASH FROM OPERATING ACTIVITIES.....	103,134	(19,059)	84,075
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u></b>			
Transfers in.....	422,015	-	422,015
Transfers out.....	(47,801)	(2,516)	(50,317)
Intergovernmental.....	41,990		41,990
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	416,204	(2,516)	413,688
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>			
Capital contributions.....	114,137	-	114,137
Acquisition and construction of capital assets.....	(92,756)	11,673	(81,083)
Principal payments on bonds and notes.....	(173,324)	-	(173,324)
Interest expense.....	(174,808)	-	(174,808)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(326,751)	11,673	(315,078)
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>			
Investment income.....	5,022	1,144	6,166
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	197,609	(8,758)	188,851
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	384,943	215,430	600,373
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 582,552	\$ 206,672	\$ 789,224
<b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u></b>			
<b><u>FROM OPERATING ACTIVITIES:</u></b>			
Operating income (loss).....	\$ (91,023)	\$ (10,933)	\$ (101,956)
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation.....	131,775	2,603	134,378
Changes in assets and liabilities:			
User charges.....	54,478	(380)	54,098
Warrants payable.....	7,904	(10,349)	(2,445)
Total adjustments.....	194,157	(8,126)	186,031
NET CASH FROM OPERATING ACTIVITIES.....	\$ 103,134	\$ (19,059)	\$ 84,075

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2018

	Other Postemployment Benefit Trust Fund	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents.....	\$ -	\$ 165,848
Investments:		
Other investments.....	895,625	-
Receivables, net of allowance for uncollectibles:		
Departmental and other.....	-	76,480
<b>TOTAL ASSETS</b> .....	<u>895,625</u>	<u>242,328</u>
<b>LIABILITIES</b>		
Warrants payable.....	-	87,620
Liabilities due depositors.....	-	154,708
<b>TOTAL LIABILITIES</b> .....	<u>-</u>	<u>242,328</u>
<b>NET POSITION</b>		
Restricted for other postemployment benefits.....	<u>\$ 895,625</u>	<u>\$ -</u>

See notes to basic financial statements.

**FIDUCIARY FUNDS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

YEAR ENDED JUNE 30, 2018

	Other Postemployment Benefit Trust Fund
<b><u>ADDITIONS:</u></b>	
Contributions:	
Employer contributions to trust.....	\$ 170,799
Employer contributions for other postemployment benefit payments....	<u>1,458,728</u>
Total contributions.....	1,629,527
Net investment income:	
Investment income.....	<u>86,565</u>
TOTAL ADDITIONS.....	1,716,092
<b><u>DEDUCTIONS:</u></b>	
Other postemployment benefit payments.....	<u>1,458,728</u>
NET INCREASE (DECREASE) IN NET POSITION.....	257,364
NET POSITION AT BEGINNING OF YEAR.....	<u>638,261</u>
NET POSITION AT END OF YEAR.....	<u>\$ 895,625</u>

See notes to basic financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

***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 2018.

<u>Name</u>	<u>Purpose</u>	<u>2018 Assessment</u>
Gateway Health Group Carver Town Hall, Carver MA	Employee and retiree health Insurance	\$ 2,822,840
Old Colony Regional Vocational Technical High School 476 North Avenue, Rochester, MA	To provide educational services	\$ 1,084,038
Massachusetts Bay Regional Transit Authority 45 High Street, Boston, MA	Regional transportation services	\$ 76,251

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 *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 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 *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 – Cash and Investments.

#### 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 1<sup>st</sup> 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 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> 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 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> 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
Plant in service.....	1 - 100
Buildings and facilities.....	25-50
Buildings improvements.....	10-50
Machinery and equipment.....	3-20
Vehicles.....	5
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 \$21,667,889 and the bank balance totaled \$22,202,955. Of the bank balance, \$1,101,064 was covered by Federal Depository Insurance, \$18,663,746 was covered by the Depositors Insurance Fund, \$867,284 was covered by the Share Insurance Fund, \$1,051,929 was covered by Securities Investor Protection Corporation and \$518,932 was collateralized.

*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 \$476,395 in government agencies, \$1,237,796 in government sponsored enterprises, \$836,986 in corporate bonds and \$413,911 in equity securities, and PARS investment of \$895,625, which have custodial credit risk exposure totaling \$3,860,713 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 institutions with proven financial strength, the capital adequacy of the firm and overall affirmative reputation in the municipal industry.

*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, 2018, the Town had the following investments and maturities, all with less than 5 years maturity:

<u>Investment Type</u>	<u>Fair value</u>
<u>Debt securities:</u>	
U.S. treasury bonds.....	\$ 476,395
Government sponsored enterprises.....	1,237,796
Corporate bonds.....	<u>836,986</u>
Total debt securities.....	2,551,177
<u>Other investments:</u>	
Equity securities.....	413,911
PARS.....	<u>895,625</u>
Total investments.....	<u>\$ 3,860,713</u>

*Credit Risk* - The Town has not adopted a formal policy related to credit risk. As of June 30, 2018, Standard & Poor's Investors Service rated the Town's investments as follows:

<u>Quality Rating</u>	<u>U.S. Treasury Bonds</u>	<u>Government Sponsored Enterprises</u>	<u>Corporate Bonds</u>
AAA.....	\$ 476,395	\$ -	\$ -
AA.....	-	1,237,796	134,933
A.....	-	-	373,917
BBB.....	-	-	<u>328,136</u>
Total.....	<u>\$ 476,395</u>	<u>\$ 1,237,796</u>	<u>\$ 836,986</u>

*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	June 30, 2018	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Observable Inputs (Level 3)
<b>Investments measured at fair value:</b>				
<u>Debt securities:</u>				
U.S. treasury bonds.....	\$ 476,395	\$ 476,395	\$ -	\$ -
Government sponsored enterprises.....	1,237,796	1,237,796	-	-
Corporate bonds.....	836,986	-	836,986	-
Total debt securities.....	2,551,177	1,714,191	836,986	-
<u>Other investments:</u>				
Equity securities.....	413,911	413,911	-	-
PARS.....	895,625	895,625	-	-
Total other investments.....	1,309,536	1,309,536	-	-
Total investments measured at fair value.....	3,860,713	\$ 3,023,727	\$ 836,986	\$ -

### NOTE 3 - RECEIVABLES

At June 30, 2018, 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.....	\$ 587,040	\$ (16,068)	\$ 570,972
Tax liens.....	547,792	-	547,792
Community preservation fund surtax.....	11,891	-	11,891
Motor vehicle and other excise taxes.....	198,577	(12,485)	186,092
Departmental and other.....	251,862	-	251,862
Intergovernmental.....	3,001,646	-	3,001,646
Community preservation state share.....	47,000	-	47,000
Special assessments.....	56,779	-	56,779
Loans.....	20,894	-	20,894
Total.....	\$ 4,723,481	\$ (28,553)	\$ 4,694,928

At June 30, 2018, receivables for the North Carver Water District and Cranberry Village enterprise funds consist of user fees and special assessment, all of which are deemed collectible.

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	Other Governmental Funds	Total
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 524,964	\$ -	\$ 524,964
Tax liens and foreclosures.....	870,131	7,940	878,071
Community preservation fund surtax.....	-	58,891	58,891
Motor vehicle and other excise taxes.....	186,092	-	186,092
Departmental and other.....	9,380	276,364	285,744
Intergovernmental - other.....	270,007	2,441,159	2,711,166
Loans.....	-	20,894	20,894
Total.....	\$ <u>1,860,574</u>	\$ <u>2,805,248</u>	\$ <u>4,665,822</u>

#### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 5,030,726	\$ -	\$ -	\$ 5,030,726
Construction in progress.....	18,051,966	32,099,166	-	50,151,132
Total capital assets not being depreciated.....	<u>23,082,692</u>	<u>32,099,166</u>	<u>-</u>	<u>55,181,858</u>
<u>Capital assets being depreciated:</u>				
Buildings and facilities.....	53,348,168	-	(578,762)	52,769,406
Improvements other than buildings.....	2,503,529	30,543	(262,513)	2,271,559
Machinery and equipment.....	4,120,749	134,043	(161,846)	4,092,946
Vehicles.....	7,317,112	750,199	(418,022)	7,649,289
Infrastructure.....	12,857,873	545,716	-	13,403,589
Total capital assets being depreciated.....	<u>80,147,431</u>	<u>1,460,501</u>	<u>(1,421,143)</u>	<u>80,186,789</u>
<u>Less accumulated depreciation for:</u>				
Buildings and facilities.....	(30,944,655)	(1,305,513)	578,762	(31,671,406)
Improvements other than buildings.....	(1,226,091)	(87,877)	262,513	(1,051,455)
Machinery and equipment.....	(1,789,413)	(407,354)	161,846	(2,034,921)
Vehicles.....	(4,602,778)	(480,310)	418,022	(4,665,066)
Infrastructure.....	(10,660,597)	(132,524)	-	(10,793,121)
Total accumulated depreciation.....	<u>(49,223,534)</u>	<u>(2,413,578)</u>	<u>1,421,143</u>	<u>(50,215,969)</u>
Total capital assets being depreciated, net.....	<u>30,923,897</u>	<u>(953,077)</u>	<u>-</u>	<u>29,970,820</u>
Total governmental activities capital assets, net.....	\$ <u>54,006,589</u>	\$ <u>31,146,089</u>	\$ <u>-</u>	\$ <u>85,152,678</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Cranberry Village</b>				
<u>Capital assets being depreciated:</u>				
Machinery and equipment.....	\$ 26,030	\$ -	\$ -	\$ 26,030
<u>Less accumulated depreciation for:</u>				
Machinery and equipment.....	(6,508)	(2,603)	-	(9,111)
Total capital assets, net.....	\$ 19,522	\$ (2,603)	\$ -	\$ 16,919
<b>North Carver Water District</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 1,370,390	\$ -	\$ -	\$ 1,370,390
<u>Capital assets being depreciated:</u>				
Buildings and facilities.....	2,976,573	92,757	-	3,069,330
Improvements other than buildings.....	209,245	-	-	209,245
Machinery and equipment.....	791,484	-	-	791,484
Vehicles.....	52,465	-	-	52,465
Infrastructure.....	424,268	-	-	424,268
Total capital assets being depreciated.....	4,454,035	92,757	-	4,546,792
<u>Less accumulated depreciation for:</u>				
Buildings and facilities.....	(446,485)	(74,415)	-	(520,900)
Improvements other than buildings.....	(8,915)	(8,481)	-	(17,396)
Machinery and equipment.....	(218,959)	(38,273)	-	(257,232)
Vehicles.....	(52,465)	-	-	(52,465)
Infrastructure.....	(63,325)	(10,605)	-	(73,930)
Total accumulated depreciation.....	(790,149)	(131,775)	-	(921,924)
Total capital assets being depreciated, net.....	3,663,886	(39,018)	-	3,624,868
Total business-type activities capital assets, net.....	\$ 5,034,276	\$ (39,018)	\$ -	\$ 4,995,258

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

**Governmental Activities:**

General government.....	\$ 69,573
Public safety.....	760,898
Education.....	1,124,742
Public works.....	325,743
Health and human services.....	26,653
Culture and recreation.....	105,969

Total depreciation expense - governmental activities..... \$ 2,413,578

**Business-Type Activities:**

North Carver Water District.....	\$ 131,775
Cranberry Village.....	2,603

Total depreciation expense - business-type activities..... \$ 134,378

**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.....	\$ 2,300,101
Less: accumulated depreciation.....	<u>(1,758,595)</u>
Total.....	<u>\$ 541,506</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 were as follows:

<u>Years ending June 30:</u>	<u>Governmental Activities</u>
2019.....	\$ 121,758
2020.....	75,684
2021.....	<u>48,545</u>
Total minimum lease payments.....	245,987
Less: amounts representing interest.....	<u>(15,606)</u>
Present value of minimum lease payments.....	<u>\$ 230,381</u>

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

There were no receivables or payables between funds at June 30, 2018. Interfund transfers for the year ended June 30, 2018, are summarized as follows:

	<u>Transfers In:</u>				
<u>Transfers Out:</u>	<u>General fund</u>	<u>Capital Projects</u>	<u>Nonmajor governmental funds</u>	<u>North Carver Water District</u>	<u>Total</u>
General fund.....	\$ -	\$ 831,736	\$ 147,839	\$ 347,869	\$ 1,327,444
Community Preservation.....	-	583,499	-	-	583,499
Nonmajor governmental funds.....	758,185	-	3,064	74,146	835,395
North Carver Water District.....	47,801	-	-	-	47,801
Cranberry Village.....	<u>2,516</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,516</u>
Total.....	<u>\$ 808,502</u>	<u>\$ 1,415,235</u>	<u>\$ 150,903</u>	<u>\$ 422,015</u>	<u>\$ 2,796,655</u>

All 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, 2018, are as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2017	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2018
<b>Governmental Funds:</b>							
	Municipal Purpose.....	0.00%	05/25/18	\$ 3,000,000	\$ -	\$ (3,000,000)	\$ -
	Municipal Purpose.....	1.93%	10/05/18	-	3,000,000	(3,000,000)	-
	Total Governmental Funds.....			<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ (6,000,000)</u>	<u>\$ -</u>

## 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".

In October of 2018 the Town issued \$10,000,000 of long-term bonds for middle/high school repairs, police station, library HVAC and middle school/high school fields. \$3,000,000 of this issuance was used to pay down BANS that existed at year end. Accordingly, these BANS are considered redeemed and are recognized as an issuance of long-term debt at June 30, 2018.

Details related to the outstanding indebtedness at June 30, 2018, and the debt service requirements are on the following page.

**Bonds Payable Schedule – Governmental Funds**

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2018
Municipal Purpose Bonds of 2016 - Fire Station.....	2036	\$ 8,230,000	3.00 - 5.00	\$ 7,400,000
Municipal Purpose Bonds of 2016 - Fire Engines.....	2026	1,770,000	5.00	1,410,000
Municipal Purpose Bonds of 2016 - Elementary School...	2041	20,000,000	3.25 - 5.00	19,040,000
Municipal Purpose Bonds of .....	2000	109,000	5.00	10,900,000
Total Bonds Payable.....				38,750,000
Less: amounts not related to paydown of June 30, 2018 BANS.....				(7,900,000)
Add: Unamortized premium on bonds.....				1,585,783
Total Bonds Payable, net.....				\$ 32,435,783

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

Year	Principal	Interest	Total
2019.....	\$ 1,705,000	\$ 1,275,336	\$ 2,980,336
2020.....	1,760,000	1,452,101	3,212,101
2021.....	1,810,000	1,364,850	3,174,850
2022.....	1,875,000	1,275,100	3,150,100
2023.....	1,935,000	1,182,226	3,117,226
2024.....	2,005,000	1,086,351	3,091,351
2025.....	2,075,000	987,100	3,062,100
2026.....	2,145,000	884,225	3,029,225
2027.....	2,055,000	777,850	2,832,850
2028.....	2,120,000	699,750	2,819,750
2029.....	1,855,000	618,676	2,473,676
2030.....	1,895,000	546,175	2,441,175
Thereafter.....	15,515,000	2,590,084	18,105,084
	<u>\$ 38,750,000</u>	<u>\$ 14,739,824</u>	<u>\$ 53,489,824</u>

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

**Bonds Payable Schedule – Enterprise Funds**

Project	Maturities Through	Original Loan Amount	Interest Rate (%)	Outstanding at June 30, 2018
Water System Bond.....	2021	\$ 500,000	4.00 - 6.00	\$ 300,000
Water System Bond.....	2047	1,700,000	3.75	1,518,580
RZED Water Bond.....	2049	2,900,000	3.75	2,619,618
Total Bonds Payable, net.....				\$ 4,438,198

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

Year	Principal	Interest	Total
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
Therafter.....	3,011,391	1,201,870	4,213,261
	<u>\$ 4,438,198</u>	<u>\$ 2,869,135</u>	<u>\$ 7,307,333</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, 2018, the Town had the following authorized and unissued debt:

Purpose	Amount
Structural Repairs.....	\$ 3,226,985
New Elementary School Project.....	7,148,128
Library HVAC Upgrade.....	1,100,000
Police Station.....	4,900,000
MS/HS Track & Football Field.....	2,925,000
Total.....	<u>\$ 19,300,113</u>

### Changes in Long-term Liabilities

During the year ended June 30, 2018, the following changes occurred in long-term liabilities:

	Beginning Balance	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>							
Long-term bonds payable.....	\$ 28,935,000	\$ 3,000,000	\$ (1,085,000)	\$ -	\$ -	\$ 30,850,000	\$ 1,705,000
Add: Unamortized premium on bonds...	1,741,758	-	(155,975)	-	-	1,585,783	148,216
Total bonds payable.....	30,676,758	3,000,000	(1,240,975)	-	-	32,435,783	1,853,216
Capital lease obligations.....	431,905	-	-	-	(201,524)	230,381	112,917
Landfill closure.....	1,000,000	-	-	30,000	(130,000)	900,000	90,000
Compensated absences.....	855,299	-	-	386,465	(390,676)	851,088	368,617
Net pension liability.....	18,595,425	-	-	(2,942,979)	-	15,652,446	-
Other postemployment benefits.....	34,777,602	-	-	3,697,866	-	38,475,468	-
Total governmental activity long-term liabilities.....	<u>\$ 86,336,989</u>	<u>\$ 3,000,000</u>	<u>\$ (1,240,975)</u>	<u>\$ 1,171,352</u>	<u>\$ (722,200)</u>	<u>\$ 88,545,166</u>	<u>\$ 2,424,750</u>
<b>Business-Type Activities:</b>							
Long-term bonds payable.....	<u>\$ 4,611,522</u>	<u>\$ -</u>	<u>\$ (173,324)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,438,198</u>	<u>\$ 176,073</u>

**NOTE 9 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

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

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

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

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

As of June 30, 2018, the governmental fund balances consisted of the following:

	General	Community Preservation	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ 161,944	\$ 161,944
<b>Restricted for:</b>					
Community preservation.....	-	2,685,942	-	-	2,685,942
Capital projects.....	-	-	3,380,242	-	3,380,242
Town gifts and grants.....	-	-	-	272,906	272,906
School lunch.....	-	-	-	88,595	88,595
School gifts and grants.....	-	-	-	456,588	456,588
Receipts reserved for appropriation.....	-	-	-	1,247,960	1,247,960
Other special revenue funds.....	-	-	-	1,598,000	1,598,000
Expendable trust funds.....	-	-	-	900,108	900,108
<b>Committed to:</b>					
<b>Articles and continuing appropriations:</b>					
General government.....	1,177,700	-	-	-	1,177,700
Public safety.....	390,336	-	-	-	390,336
Education.....	290,840	-	-	-	290,840
Public works.....	249,583	-	-	-	249,583
Health and human services.....	25,000	-	-	-	25,000
Culture and recreation.....	20,366	-	-	-	20,366
Employee benefits.....	542,618	-	-	-	542,618
<b>Assigned to:</b>					
<b>Encumbrances:</b>					
General government.....	59,024	-	-	-	59,024
Public safety.....	10,140	-	-	-	10,140
Free cash used for subsequent year budget.....	250,000	-	-	-	250,000
Unassigned.....	5,948,525	-	-	(8,095)	5,940,430
<b>Total Fund Balances.....</b>	<b>\$ 8,964,132</b>	<b>\$ 2,685,942</b>	<b>\$ 3,380,242</b>	<b>\$ 4,718,006</b>	<b>\$ 19,748,322</b>

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 and capital and debt stabilization fund totaled \$2.95 million and \$1.1 million, respectively. These funds are 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, 2018, 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, 2017. The Town's portion of the collective pension expense, contributed by the Commonwealth, of \$4,159,389 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 \$39,851,233 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, which equaled its actual contribution, for the year ended December 31, 2017, was \$1,989,254, 28.07% 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.

#### *Pension Liabilities*

At June 30, 2018, the Town reported a liability of \$15,652,446 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017. 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, 2017, the Town's proportion was 2.910%, a change from its proportion measured at December 31, 2016 of 2.935%.

*Pension Expense*

For the year ended June 30, 2018, the Town recognized pension expense of \$1,756,337. At June 30, 2018, the Town reported deferred outflows/inflows of resources related to pensions of \$929,368 and \$1,074,972, respectively.

The balance of deferred outflows and inflows at June 30, 2018 consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 340,729	\$ -	\$ 340,729
Difference between projected and actual earnings.....	-	(601,139)	(601,139)
Changes in assumptions.....	-	(372,252)	(372,252)
Changes in proportion and proportionate share of contributions.....	588,639	-	588,639
Contributions made subsequent to the measurement date.....	-	(101,581)	(101,581)
Total deferred outflows/(inflows) of resources.....	\$ 929,368	\$ (1,074,972)	\$ (145,604)

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

Year ended June 30:

2019.....	\$ 405,219
2020.....	209,270
2021.....	(313,872)
2022.....	<u>(446,221)</u>
Total.....	\$ <u>(145,604)</u>

*Actuarial Assumptions*

The total pension liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as of December 31, 2017:

Valuation date.....	January 1, 2017
Actuarial cost method.....	Individual Entry Age Normal Cost Method.
Amortization method.....	Payments increase at 3.5%, for the unfunded actuarial accrued liability, and level amortization of 2002, 2003 and 2013, Early Retirement Incentives.
Remaining amortization period.....	Amortization of the unfunded actuarial accrued liability over 12 years, the 2002 ERI over two years, 2003 ERI over three years, and the 2013 ERI over 11 years; all as of July 1, 2017.
Asset valuation method.....	Market value with a 5 year smoothing of assets returns greater than or less than the assumed rate of return, with a 20% corridor.
Projected salary increases.....	3.75% per year
Cost of living adjustments.....	3.0% of the first \$14,000 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 and beneficiary.....	The RP-2014 Blue Collar Mortality Table with Scale MP-2016 fully generational.
Healthy Retiree.....	Group 1 and 2 is represented by the RP-2014 Blue Collar Mortality Table set forward five years for male and three years for females. fully generational. Group 4 is represented by the RP-2014 Blue Collar mortality table set forward three years for males and six years for females, fully generational.
Disabled Retiree.....	Group 1 and 2 is represented by the RP-2000 Mortality Table set forward six years. Group 4 is represented by the RP-2000 Mortality Table set forward two years. Generational adjusting is based on Scale MP-2016.
Investment rate of return/Discount rate.....	8.0% nominal rate, net of investment expenses.

### *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, 2017, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity.....	7.50%	26.50%
Developing markets.....	7.30%	16.00%
Emerging markets.....	9.80%	4.00%
Core bonds.....	4.20%	11.50%
Foreign bonds.....	2.40%	3.00%
Emerging market bonds.....	5.50%	4.00%
High yield bonds.....	6.00%	4.00%
Bank loans.....	5.50%	3.00%
Private equity.....	9.60%	10.00%
Real estate.....	6.90%	10.00%
Natural resources.....	7.00%	1.00%
Infrastructure.....	7.80%	2.00%
Hedge funds.....	5.30%	4.00%
Cash.....	2.80%	1.00%
Total.....		<u>100.00%</u>

### *Rate of return*

For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.30%. 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.....	\$ 20,306,430	\$ 15,652,446	\$ 11,622,933

## **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 2018, contributions to the plan totaled \$1,629,527.

The Commonwealth of Massachusetts passed special legislation that has allowed the District to establish a postemployment benefit trust fund and to enable the District to begin pre-funding its OPEB liabilities. The Trust is managed by then Plymouth County OPEB Trust Program.

During 2018, the District pre-funded future OPEB liabilities \$170,799 by contributing funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2018, the balance of this fund totaled \$895,625.

**GASB Statement 74 – OPEB Plan Financial Reporting**

*Measurement Date* – GASB #74 requires the net OPEB liability to be measured as of the OPEB Plan's most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017.

*Employees Covered by Benefit Terms* – The following table represents the Plan's membership at June 30, 2018:

Active members.....	277
Inactive members currently receiving benefits.....	<u>263</u>
Total.....	<u>540</u>

*Components of OPEB Liability* – The following table represents the components of the Plan's OPEB liability as of June 30, 2018:

:

Total OPEB liability.....	\$ 39,248,101
Less: OPEB plan's fiduciary net position.....	<u>(895,625)</u>
Net OPEB liability.....	<u>\$ 38,352,476</u>

The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.....	2.28%
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*Significant Actuarial Assumption* – The total other postemployment benefit liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions:

Valuation date.....	January 1, 2017
Actuarial cost method.....	Individual Entry Age Normal Cost Method.
Asset valuation method.....	Market value of assets as of reporting date, June 30, 2018
Investment rate of return.....	6.83%, net of plan investment expense, including inflation.
Municipal bond rate.....	3.45% as of June 30, 2018 (source: S&P Municipal Bond 20-Year High Grade Index)
Discount rate.....	5.75%, net of OPEB plan investment expense, including inflation
Inflation.....	2.75% as of June 30, 2018 and for future periods
Salary increases.....	3.00% annually as of June 30, 2018 and for future periods

## Mortality rates:

Pre-retirement.....	RP-2000 Employees Mortality Table projected generationally using Scale BB and a base year of 2009 for males and females.
Post-retirement.....	RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB and a base year of 2009 for males and females.
Disabled.....	RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB and a base year of 2012 for males and females.

*Rate of return* - For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 12.0%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real of returns (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 of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The District's expected future real rate of return of 4.45% is added to the expected inflation of 2.75% to produce the long-term expected nominal rate of return of 7.20%. Best estimates of geometric real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2018 are summarized in the following table.

<u>Asset Class</u>	<u>Long-Term Expected Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity - large cap.....	25.00%	4.00%
Domestic equity - small/mid cap.....	11.00%	6.00%
International equity - developed market....	27.00%	4.50%
International equity - emerging market.....	7.00%	7.00%
Domestic fixed income.....	15.00%	2.00%
International fixed income.....	5.00%	3.00%
Alternatives.....	2.50%	6.50%
Real estate.....	7.50%	6.25%
Cash.....	0.00%	0.00%
Total.....	<u>100.00%</u>	

*Sensitivity of the net position liability to changes in the discount rate* – The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 5.75%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1% Decrease (4.75%)	Current Discount Rate (5.75%)	1% Increase (6.75%)
Net OPEB liability.....	\$ 44,217,071	\$ 38,352,476	\$ 33,649,405

*Sensitivity of the net position liability to changes in the healthcare trend* – The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare trend rate of 5.0%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease (4.00%)	Current Trend (5.00%)	1% Increase (6.00%)
Net OPEB liability.....	\$ 31,511,756	\$ 38,352,476	\$ 46,894,369

*Change in Assumptions:* Discount rate changed to 5.75% from 5.50%

#### ***GASB Statement #75 – OPEB Employer Financial Reporting***

*Summary of Significant Accounting Policies* – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year or less, which are reported at cost.

*Measurement Date* – GASB Statement #75 requires the net OPEB liability to be measured as of a date no earlier than the end of the employer's prior fiscal year and no later than the end of the employer's current fiscal year, consistently applied from period to period. Accordingly, the net OPEB liability was measured as of July 1, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017.

*Plan Membership* – The following table represents the Plan's membership at July 1, 2017:

Active members.....	277
Inactive employees or beneficiaries currently receiving benefits.....	263
Total.....	540

*Significant Actuarial Methods and Assumptions* – The total OPEB liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2017, to be in accordance with GASB Statement #75:

Valuation date.....	July 1, 2017
Actuarial cost method.....	Individual Entry Age Normal Cost Method.
Asset valuation method.....	Market value of assets as of reporting date, June 30, 2018
Investment rate of return.....	6.83%, net of plan investment expense, including inflation.
Municipal bond rate.....	3.13% as of June 30, 2018 (source: S&P Municipal Bond 20-Year High Grade Index
Discount rate.....	5.50%, net of OPEB plan investment expense, including inflation
Inflation.....	2.75% as of June 30, 2018 and for future periods
Salary increases.....	3.00% annually as of June 30, 2018 and for future periods
Mortality rates:	
Pre-retirement.....	RP-2000 Employees Mortality Table projected generationally using Scale BB and a base year of 2009 for males and females.
Post-retirement.....	RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB and a base year of 2009 for males and females.
Disabled.....	RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB and a base year of 2012 for males and females.

*Rate of return* – For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 15.11%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB 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 of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The Plan's expected future real rate of return of 4.45% is added to the expected inflation of 2.75% to produce the long-term expected nominal rate of return of 7.20%. Best estimates of geometric real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2017 are summarized in the table on the following page.

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity - large cap.....	25.00%	4.00%
Domestic equity - small/mid cap.....	11.00%	6.00%
International equity - developed market....	27.00%	4.50%
International equity - emerging market.....	7.00%	7.00%
Domestic fixed income.....	15.00%	2.00%
International fixed income.....	5.00%	3.00%
Alternatives.....	2.50%	6.50%
Real estate.....	7.50%	6.25%
Cash.....	0.00%	0.00%
Total.....	100.00%	

*Discount rate* – The discount rate used to measure the total OPEB liability was 5.50% as of June 30, 2018, and 4.00% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments to current plan members. Therefore the long-term expected rate of return on the OPEB plan assets was applied to future periods using projected future benefits payments and a yield or index rate for 20 year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher, which was based on the S&P Municipal Bond 20 – Year High Grade Index as of June 30, 2018, was applied to all periods thereafter.

#### *Changes in the Net OPEB Liability*

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at July 1, 2016.....	\$ 35,016,100	\$ 238,498	\$ 34,777,602
Changes for the year:			
Service cost.....	1,000,864	-	1,000,864
Interest.....	1,944,725	-	1,944,725
Changes of benefit terms.....	-	-	-
Differences between expected and actual experience.....	2,486,585	-	2,486,585
Changes in assumptions and other inputs.....	-	-	-
Net investment income.....	-	53,964	(53,964)
Employer contributions to the trust.....	-	1,680,344	(1,680,344)
Benefit payments.....	(1,334,545)	(1,334,545)	-
Net change.....	4,097,629	399,763	3,697,866
Balances at June 30, 2018.....	\$ 39,113,729	\$ 638,261	\$ 38,475,468

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate* – The following table presents the net other postemployment benefit liability and service cost, calculated using the discount rate of 5.50%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a discount rate that is 1-percentage-point lower (4.50%) or 1-percentage-point higher (6.50%) than the current rate.

	1% Decrease (4.50%)	Current Discount Rate (5.50%)	1% Increase (6.50%)
Net OPEB liability.....	\$ 44,433,038	\$ 38,475,468	\$ 33,679,657

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend* – The following table presents the net other postemployment benefit liability and service cost, calculated using the current healthcare trend rate of 5.00%, as well as what the net other postemployment benefit liability and service cost would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease (4.00%)	Current Trend (5.00%)	1% Increase (6.00%)
Net OPEB liability.....	\$ 31,536,610	\$ 38,475,468	\$ 47,168,701

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB* – For the year ended July 1, 2017, the GASB Statement #75 measurement date, the Town recognized OPEB expense of \$1,729,477. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as shown on the following table.

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ 1,989,268	\$ -	\$ 1,989,268
Difference between projected and actual earnings.....	-	(20,849)	(20,849)
Contributions made subsequent to the measurement date.....	170,799	-	170,799
Total deferred outflows/(inflows) of resources.....	\$ 2,160,067	\$ (20,849)	\$ 2,139,218

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement date year ended June 30:

2018.....	\$ 662,904
2019.....	492,105
2020.....	492,105
2021.....	492,104
Total.....	\$ 2,139,218

*Changes of Assumptions* - The discount rate was increased from 4.0% to 5.50%. Mortality tables have been adjusted.

*Changes in Plan Provisions* - None.

**NOTE 13 - COMMITMENTS**

Town meeting authorized the borrowing of \$8.9 million for a library HVAC upgrade, police station and middle school/high school track and football field.

**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, 2018, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2018.

**NOTE 15 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 18, 2018, which is the date the financial statements were available to be issued.

**NOTE 16 – REVISION OF NET POSITION PREVIOUSLY REPORTED**

Beginning net position of the governmental activities has been revised to reflect the implementation of GASB Statement #75. To reflect this change, the Town has revised the net other postemployment liability (OPEB), which has resulted in the revision of the June 30, 2017, balance of the governmental activities by \$6,918,637. Accordingly, previously reported net position of \$1,476,125 has been revised to a deficit of \$5,442,512

**NOTE 17 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

During 2018, the following GASB pronouncements were implemented:

- GASB Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The basic financial statements, related notes and required supplementary information were updated to be in compliance with this pronouncement.
- GASB Statement #81, *Irrevocable Split-Interest Agreements*. This pronouncement did not impact the basic financial statements.
- GASB Statement #85, *Omnibus 2017*. This pronouncement did not impact the basic financial statements.
- GASB Statement #86, *Certain Debt Extinguishment Issues*. This pronouncement did not impact the basic financial statements.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #83, *Certain Asset Retirement Obligations*, which is required to be implemented in 2019.
- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2019.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.
- The GASB issued Statement #88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which is required to be implemented in 2019.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2021.
- The GASB issued Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*, which is required to be implemented in 2020.

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, 2018

	Budgeted Amounts			
	Amounts Carried Forward From Prior Year	Current Year Initial Budget	Original Budget	Final Budget
<b>REVENUES:</b>				
Real estate and personal property taxes, net of tax refunds.....	\$ -	\$ 24,743,137	\$ 24,743,137	\$ 24,785,062
Tax liens.....	-	-	-	85
Motor vehicle and other excise taxes.....	-	1,689,038	1,689,038	1,689,038
Meals tax.....	-	120,000	120,000	120,000
Penalties and interest on taxes.....	-	145,000	145,000	145,000
Fees and rentals.....	-	187,480	187,480	187,480
Payments in lieu of taxes.....	-	25,595	25,595	25,595
Licenses and permits.....	-	167,940	167,940	167,940
Fines and forfeitures.....	-	21,300	21,300	21,300
Intergovernmental - other.....	-	11,924,618	11,924,618	11,924,618
Departmental and other.....	-	73,362	73,362	73,362
Investment income.....	-	36,197	36,197	36,197
<b>TOTAL REVENUES.....</b>	<b>-</b>	<b>39,133,667</b>	<b>39,133,667</b>	<b>39,175,677</b>
<b>EXPENDITURES:</b>				
Current:				
General government.....	888,761	2,589,327	3,478,088	3,744,787
Public safety.....	318,924	4,142,698	4,461,622	4,558,013
Education.....	218,401	24,346,105	24,564,506	24,733,683
Public works.....	100,208	1,592,871	1,693,079	1,816,532
Health and human services.....	1,476	501,135	502,611	544,224
Culture and recreation.....	12,787	411,881	424,668	448,356
Pension benefits.....	-	1,370,664	1,370,664	1,370,664
Employee benefits.....	535,250	1,207,801	1,743,051	1,955,335
State and county charges.....	-	858,381	858,381	858,381
Debt service:				
Principal.....	-	1,280,127	1,280,127	1,085,000
Interest.....	-	1,147,858	1,147,858	1,150,383
<b>TOTAL EXPENDITURES.....</b>	<b>2,075,807</b>	<b>39,448,848</b>	<b>41,524,655</b>	<b>42,265,358</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(2,075,807)	(315,181)	(2,390,988)	(3,089,681)
<b>OTHER FINANCING SOURCES (USES):</b>				
Use of prior year reserves.....	2,075,807	-	2,075,807	2,075,807
Use of free cash.....	-	250,000	250,000	1,689,719
Transfers in.....	-	3,515,857	3,515,857	3,560,140
Transfers out.....	-	(3,450,676)	(3,450,676)	(4,235,985)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>2,075,807</b>	<b>315,181</b>	<b>2,390,988</b>	<b>3,089,681</b>
NET CHANGE IN FUND BALANCE.....	-	-	-	-
BUDGETARY FUND BALANCE, Beginning of year.....	-	4,662,807	4,662,807	4,662,807
BUDGETARY FUND BALANCE, End of year.....	\$ -	\$ 4,662,807	\$ 4,662,807	\$ 4,662,807

	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
\$	24,606,540	\$ -	\$ (178,522)
	110,601	-	110,516
	1,859,293	-	170,255
	124,687	-	4,687
	160,774	-	15,774
	266,132	-	78,652
	75,929	-	50,334
	230,175	-	62,235
	26,332	-	5,032
	11,998,022	-	73,404
	29,070	-	(44,292)
	163,126	-	126,929
	39,650,681	-	475,004
	2,216,617	1,236,724	291,446
	4,082,196	400,476	75,341
	24,375,317	290,840	67,526
	1,427,087	249,583	139,862
	507,912	25,000	11,312
	417,909	20,366	10,081
	1,236,898	-	133,766
	1,339,329	542,618	73,388
	924,738	-	(66,357)
	1,085,000	-	-
	1,150,383	-	-
	38,763,386	2,765,607	736,365
	887,295	(2,765,607)	1,211,369
	-	-	-
	-	-	-
	3,563,746	-	3,606
	(4,235,985)	-	-
	(672,239)	-	3,606
	215,056		
	4,662,807		
\$	4,877,863	\$	

# ***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**

<u>Year</u>	<u>Proportion of the net pension liability (asset)</u>	<u>Proportionate share of the net pension liability (asset)</u>	<u>Covered- employee payroll</u>	<u>Net pension liability as a percentage of covered- employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
December 31, 2017.....	2.91%	\$ 15,652,446	\$ 7,087,175	220.86%	65.56%
December 31, 2016.....	2.94%	18,595,425	6,814,591	272.88%	58.32%
December 31, 2015.....	2.73%	17,316,474	6,889,118	251.36%	56.80%
December 31, 2014.....	2.73%	15,915,317	6,641,114	239.65%	58.90%

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 TOWN'S CONTRIBUTIONS  
PLYMOUTH COUNTY RETIREMENT ASSOCIATION**

<u>Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
December 31, 2017.....	\$ 1,989,254	\$ (1,989,254)	\$ -	\$ 7,087,175	28.07%
December 31, 2016.....	1,924,823	(1,924,823)	-	6,814,591	28.25%
December 31, 2015.....	1,840,130	(1,804,375)	35,755	6,889,118	26.19%
December 31, 2014.....	1,705,207	(1,705,207)	-	6,641,114	25.68%

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**

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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. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

<u>Year</u>	<u>Commonwealth's 100% Share of the Associated Net Pension Liability</u>	<u>Expense and Revenue Recognized for the Commonwealth's Support</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Liability</u>
2018.....	\$ 39,851,233	\$ 4,159,389	54.25%
2017.....	39,169,513	3,995,547	52.73%
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 Changes in the Town's Net Other Postemployment Benefit Liability presents multi-year trend information on the Plan's net other postemployment benefit liability and related ratios.

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

The Schedule of Investment Return presents multi-year trend information on the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

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 CHANGES IN THE  
TOWN'S NET OPEB LIABILITY AND RELATED RATIOS  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017	June 30, 2018
<b>Total OPEB Liability</b>		
Service Cost.....	\$ 1,000,864	\$ 752,085
Interest.....	1,944,725	2,174,269
Changes of benefit terms.....	-	-
Differences between expected and actual experience....	2,486,585	(1,333,254)
Changes of assumptions.....	-	-
Benefit payments.....	<u>(1,334,545)</u>	<u>(1,458,728)</u>
Net change in total OPEB liability.....	4,097,629	134,372
Total OPEB liability - beginning.....	<u>35,016,100</u>	<u>39,113,729</u>
Total OPEB liability - ending (a).....	<u>\$ 39,113,729</u>	<u>\$ 39,248,101</u>
<b>Plan fiduciary net position</b>		
Employer contributions.....	\$ 345,799	\$ 170,799
Employer contributions for OPEB payments.....	-	1,458,728
Net investment income.....	53,964	86,565
Benefit payments.....	-	1,458,728
Administrative expense.....	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position.....	399,763	3,174,820
Plan fiduciary net position - beginning of year.....	<u>238,498</u>	<u>638,261</u>
Plan fiduciary net position - end of year (b).....	<u>\$ 638,261</u>	<u>\$ 3,813,081</u>
<b>Net OPEB liability - ending (a)-(b).....</b>	<b><u>\$ 38,475,468</u></b>	<b><u>\$ 35,435,020</u></b>
Plan fiduciary net position as a percentage of the total OPEB liability.....	1.63%	9.72%
Covered-employee payroll.....	\$ 22,687,965	\$ 22,695,362
Net OPEB liability as a percentage of covered-employee payroll.....	169.59%	156.13%

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 TOWN'S CONTRIBUTIONS  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

<u>Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
June 30, 2018.....	\$ 1,629,527	\$ (1,629,527)	\$ -	\$ 22,695,362	7.18%
June 30, 2017.....	1,579,527	(1,579,527)	-	22,687,965	6.96%

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 INVESTMENT RETURNS**  
**OTHER POSTEMPLOYMENT BENEFIT PLAN**

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<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2018.....	12.00%
June 30, 2017.....	15.61%

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.

**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 2018 approved budget authorized \$42.9 million in appropriations and other amounts to be raised and \$2.1 million in encumbrances and appropriations carried over from previous years. During 2018, Town Meeting approved an increase in original appropriations totaling \$1.5 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, 2018, is presented below:

Net change in fund balance - budgetary basis.....	\$	215,056
<u>Perspective differences:</u>		
Activity of the stabilization fund recorded in the general fund for GAAP.....		395,869
<u>Basis of accounting differences:</u>		
Net change in recording tax refunds payable.....		<u>(88,313)</u>
Net change in fund balance - GAAP basis.....	\$	<u><u>522,612</u></u>

**NOTE B – PENSION PLAN**Schedule 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 following changes in assumptions were included in the January 1, 2017 actuarial valuation:

- Cost of living increases were 3.0% of the first \$14,000 of retirement income, as compared to \$13,000 in the prior year.
- The annual rate of both pre-retirement and beneficiary mortality was changed to the RP-2014 Blue Collar Mortality with Scale MP-2016, fully generational table.
- The mortality for retired group 1 and 2 members was changed to the RP-2014 Blue Collar Mortality Table set forward five years for males and 3 years for females, fully generational. Group 4 retired members were changed to the RP-2014 Blue Collar Mortality table set forward three years for males, and six years for females, fully generational.
- The assumed family composition was changed to assume that 80% of all male members and 60% of all female members will be survived by a spouse, as compared to the prior valuation assumption that 80% of all members will be survived by a spouse.
- The amortization method changed from the level percent open group method to a method where payments increase at 3.5% for the unfunded actuarial accrued liability and level amortization for the 2002, 2003 and 2013 ERI.
- The amortization period changed from 17 years to amortization of the unfunded liability over 12 years, the 2002 ERI over 2 years, the 2003 ERI over 3 years, and the 2013 ERI over 11 years.
- The assumed annual increase in administrative expenses was changed to 3.75%, from 4.00%.

Changes in Plan Provisions - None**NOTE C – OTHER POSTEMPLOYMENT BENEFITS**

The Town administers a single-employer defined benefit healthcare plan ("the Other Post Employment Benefit 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 retirement members, including teachers.

***The Other Postemployment Benefit Plan***The Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the Town's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered-employee payroll.

Schedule of the Town's Contributions

The Schedule of the Town's Contributions includes the Town's annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The Town is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll.

Schedule of Investment Return

The Schedule of Investment Return includes the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

Changes of Assumptions - The discount rate was increased from 4.0% to 5.50%. Mortality tables have been adjusted.

Changes in Provisions - None.