



Thevenin, O'Grady & Co., LLP
CERTIFIED PUBLIC ACCOUNTANTS

TOWN OF WHITMAN, MASSACHUSETTS
GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
TOGETHER WITH INDEPENDENT AUDITORS' REPORT

TOWN OF WHITMAN, MASSACHUSETTS
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FOR THE YEAR ENDED JUNE 30, 2002

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INDEPENDENT AUDITORS' REPORT ON
GENERAL PURPOSE FINANCIAL STATEMENTS

To the Honorable Board of Selectmen
Town of Whitman, Massachusetts

We have audited the accompanying general purpose financial statements of the Town of Whitman, Massachusetts, as of and for the year ended June 30, 2002, as listed in the foregoing index. The general purpose financial statements are the responsibility of the Town of Whitman, Massachusetts' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Town of Whitman does not maintain records of historical cost of its general fixed assets. Accordingly, a Statement of General Fixed Assets has not been provided as required by generally accepted accounting principles.

In our opinion, except for the effects of the matters described in paragraph three of this report, the general purpose financial statements referred to in the first paragraph present fairly in all material respects, the financial position of the Town of Whitman, Massachusetts as of June 30, 2002, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated March 13, 2003 on our consideration of the Town of Whitman's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Thevenin, O'Grady & Co., LLP

Brockton, Massachusetts
March 13, 2003

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Board of Selectmen
Town of Whitman, Massachusetts

We have audited the general purpose financial statements of the Town of Whitman, Massachusetts as of and for the year ended June 30, 2002, and have issued our report thereon dated March 13, 2003. We conducted our audit in accordance with generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town of Whitman, Massachusetts' general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Town of Whitman, Massachusetts in a separate letter dated March 13, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Whitman, Massachusetts' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over the financial reporting that we have reported to the management of the Town of Whitman, Massachusetts in a separate letter dated March 13, 2003.

This report is intended for the information and use of the audit committee, management, others within the organization, and Board of Selectmen and is not intended to be and should not be used by anyone other than these specified parties.

Thevenin, O'Grady & Co., LLP

Brockton, Massachusetts
March 13, 2003

TOWN OF WHITMAN, MASSACHUSETTS
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

	GOVERNMENTAL FUND TYPES		PROPRIETARY FUND TYPE		FIDUCIARY FUND TYPE	ACCOUNT GROUP		COMBINED TOTALS	
	General	Special Revenue	Capital Project	Enterprise	Trust and Agency	General Long-Term Debt	June 30, 2002	June 30, 2001	(Memorandum Only)
ASSETS									
Cash (Note 3)	\$ 1,568,298	\$ 1,070,042	\$ 120,744	\$ 813,908	\$ 563,610	\$ -	\$ -	\$ 4,136,602	\$ 5,241,151
Investments	1,208,035	-	-	3,187,317	1,292,461	-	-	5,687,813	6,495,610
Receivables:									
Property taxes	398,327	-	-	-	-	-	-	398,327	512,932
Tax liens, deferrals and possessions	478,475	-	-	-	-	-	-	478,475	582,983
Motor vehicle and other excise	447,995	-	-	-	-	-	-	447,995	343,482
Utility rates and charges, net of allowance for uncollectible accounts	-	-	-	920,164	-	-	-	920,164	848,900
Departmental	525,587	54,031	-	-	-	-	-	579,618	560,438
Intergovernmental	1,158,443	-	-	275,602	-	-	-	1,434,045	1,444,034
Total receivables	3,008,827	54,031	-	1,195,766	-	-	-	4,258,624	4,292,769
Due from other funds	266,388	-	-	83,058	-	-	-	349,446	2,569
Property, plant and equipment, net of accumulated depreciation (Note 4)	-	-	-	33,544,512	-	-	-	33,544,512	32,372,436
Deferred bond issuance cost	-	-	-	61,640	-	-	-	61,640	70,770
Amounts to be provided for payment of long-term obligations	-	-	-	-	-	-	3,554,432	3,554,432	404,815
Total assets	\$ 6,051,548	\$ 1,124,073	\$ 120,744	\$ 38,886,201	\$ 1,856,071	\$ -	\$ 3,554,432	\$ 51,593,069	\$ 48,880,120
LIABILITIES AND FUND EQUITY									
Accounts and capital leases payable	\$ 252,855	\$ 9,164	\$ 36,417	\$ 53,543	\$ -	\$ -	\$ 95,078	\$ 447,057	\$ 419,435
Accrued payroll and withholdings	96,691	2,775	-	6,528	21,970	-	-	127,964	99,565
Anticipation notes payable (Note 7)	-	-	-	643,303	-	-	-	643,303	4,135,540
Allowance for abatements	84,588	-	-	-	2,939	-	-	84,588	180,707
Agency payables	261	-	-	18,764	-	-	-	21,964	20,885
Due to other funds	1,157	-	-	348,289	-	-	-	349,446	2,569
Bonds payable (Note 7)	-	-	-	7,735,695	-	-	3,459,354	11,195,049	7,900,585
Compensated absences payable	-	-	-	-	-	-	-	-	331,600
Deferred revenue	2,895,791	54,031	-	-	-	-	-	2,949,822	2,882,391
Total liabilities	3,331,343	65,970	36,417	8,806,122	24,909	-	3,554,432	15,819,193	15,973,277
Contributed capital	-	-	-	22,771,676	-	-	-	22,771,676	22,636,802
Retained earnings:									
Reserved	-	-	-	4,761,269	-	-	-	4,761,269	4,842,226
Unreserved	-	-	-	2,547,134	-	-	-	2,547,134	1,928,688
Fund balance:									
Reserved for continued appropriations	-	-	-	-	-	-	-	-	640,509
Unreserved:									
Designated	583,093	1,058,103	84,327	-	1,831,162	-	-	2,498,582	1,632,242
Undesignated	948,896	1,058,103	-	-	-	-	-	2,006,999	1,226,376
Total fund equity	2,720,205	1,058,103	84,327	30,080,079	1,831,162	-	-	35,773,876	32,906,843
Total liabilities and fund equity	\$ 6,051,548	\$ 1,124,073	\$ 120,744	\$ 38,886,201	\$ 1,856,071	\$ -	\$ 3,554,432	\$ 51,593,069	\$ 48,880,120

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

TOWN OF WHITMAN, MASSACHUSETTS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

	GOVERNMENTAL FUND TYPES			FIDUCIARY	COMBINED TOTALS	
	FUND TYPE			FUND TYPE	(Memorandum Only)	
	General	Special Revenue	Capital Project	Expendable Trust Funds	June 30, 2002	June 30, 2001
Revenues:						
Property taxes	\$ 13,006,989	\$	\$	\$	\$ 13,006,989	\$ 12,179,284
Excise taxes	1,278,978				1,278,978	1,075,237
Penalties and interest on taxes	154,491				154,491	162,757
Licenses, fees and fines	238,185				238,185	236,528
Interest	137,005	1,598		36,170	174,773	208,432
Charges for services	847,082				847,082	833,420
Departmental and other	18,614	893,682		36,952	949,248	1,075,371
Intergovernmental	3,222,715	123,996		-	3,346,711	3,884,647
Total revenues	18,904,059	1,019,276		73,122	19,996,457	19,655,676
Expenditures:						
Education	9,274,856			8,558	9,283,414	8,110,421
General government	2,626,080	70,609	118,624		2,815,313	5,596,441
Public safety	3,963,291	178,218	891,634	6,469	5,039,612	3,803,305
Public works	1,887,196	1,920			1,889,116	1,732,050
Human services	309,881	41,285		300	351,466	338,545
Culture and recreation	488,078	66,056	14,519	13,139	581,792	345,126
Debt service	158,974				158,974	75,031
State and county assessments	71,628				71,628	63,179
Total expenditures	18,779,984	358,088	1,024,777	28,466	20,191,315	20,064,098
Revenues over (under) expenditures	124,075	661,188	(1,024,777)	44,656	(194,858)	(408,422)
Other financing sources (uses):						
Bond proceeds			3,390,000		3,390,000	73,215
Transfer from (to) other funds	(788,086)	(515,744)		332,847	(970,983)	(1,023,542)
Total other financing sources (uses)	(788,086)	(515,744)	3,390,000	332,847	2,419,017	(950,327)
Revenues and other financing sources over (under) expenditures and other financing uses	(664,011)	145,444	2,365,223	377,503	2,224,159	(1,358,749)
Fund equity (deficit), beginning of year	3,384,216	912,659	(2,280,896)	1,270,631	3,286,610	4,645,359
Fund equity, end of year	\$ 2,720,205	\$ 1,058,103	\$ 84,327	\$ 1,648,134	\$ 5,510,769	\$ 3,286,610

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

TOWN OF WHITMAN, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2002

	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues:			
Property taxes	\$ 12,704,317	\$ 12,939,880	\$ 235,563
Excise taxes	1,096,471	1,278,978	182,507
Penalties and interest on taxes	163,000	154,491	(8,509)
Licenses, fees and fines	234,000	238,185	4,185
Interest	141,397	137,005	(4,392)
Charges for services	894,000	847,082	(46,918)
Departmental and other	1,663	18,614	16,951
Intergovernmental	2,483,781	2,498,719	14,938
Total revenues	17,718,629	18,112,954	394,325
Expenditures:			
Education	8,615,955	8,613,699	2,256
General government	3,027,974	2,886,797	141,177
Public safety	4,329,308	4,054,714	274,594
Public works	1,875,989	1,812,046	63,943
Human services	306,878	304,997	1,881
Culture and recreation	704,729	696,082	8,647
Debt service	550,649	530,120	20,529
State and county assessments	76,541	71,628	4,913
Total expenditures	19,488,023	18,970,083	517,940
Revenues over (under) expenditures	(1,769,394)	(857,129)	912,265
Other financing sources (uses):			
Transfers in	2,368,553	2,373,755	5,202
Transfers out	(2,154,832)	(2,154,832)	-
Total other financing sources (uses)	213,721	218,923	5,202
Revenues and other financing sources over (under) expenditures and other financing uses	(1,555,673)	\$ (638,206)	\$ 917,467
Other budget items:			
Use of available fund equity	1,681,117		
Teachers salary deferral	(34,342)		
Prior year deficits	(91,102)		
Net budget	\$ -		

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

TOWN OF WHITMAN, MASSACHUSETTS
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCE -
ENTERPRISE FUND AND NONEXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

	PROPRIETARY	FIDUCIARY
	<u>FUND TYPE</u>	<u>FUND TYPE</u>
	Enterprise	Nonexpendable
	<u>Funds</u>	<u>Trust Funds</u>
Revenues:		
Utility charges	\$ 2,144,664	\$ -
Departmental fees	198,674	
Intergovernmental	242,733	-
Total revenues	<u>2,586,071</u>	
Expenses:		
Operations	1,663,298	
Depreciation	811,881	
Amortization of refunding costs	52,812	-
Total expenses	<u>2,527,991</u>	<u>-</u>
Operating income	58,080	
Non operating income:		
Investment Income:		
Interest income	109,852	6,242
Change in fair value of investments		(29,489)
Interest expense	<u>(472,794)</u>	<u>-</u>
Income (loss) before transfers	(304,862)	(23,247)
Transfers from (to) other funds	<u>977,225</u>	<u>(6,242)</u>
Net income (loss)	672,363	(29,489)
Reclassification of amounts to contributed capital:		
Depreciation	745,483	
Debt and interest funded from general fund	<u>(880,357)</u>	<u>-</u>
	<u>(134,874)</u>	<u>-</u>
Increase (decrease) in retained earnings/fund balance	537,489	(29,489)
Retained earnings/Fund balance:		
Beginning of year	<u>6,770,914</u>	<u>212,517</u>
End of year	<u>\$ 7,308,403</u>	<u>\$ 183,028</u>

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

TOWN OF WHITMAN, MASSACHUSETTS
COMBINED STATEMENT OF CASH FLOWS -
ENTERPRISE FUND AND NONEXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

	PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE
	Enterprise Funds	Nonexpendable Trust Funds
Cash flow from operating activities:		
Operating income	\$ 58,080	\$
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	811,881	
Amortization of refunding costs	52,812	
Decrease in accounts receivable	106,132	
Decrease in accounts payable	(85,660)	
Decrease in accrued payroll and withholding	(337)	
Increase in deposits and miscellaneous	2,131	-
Net cash provided by operating activities	<u>945,039</u>	
Cash flows from non capital financing activities:		
Transfer from (to) other funds	<u>977,225</u>	<u>(6,242)</u>
Net cash provided by (used in) non capital financing activities	977,225	(6,242)
Cash flow from capital and related financing activities:		
Acquisition of fixed assets	(1,983,957)	
Increase in due from/to other funds	262,662	
Principal payments on long term debt	(880,357)	
Decrease in anticipation note	(101,697)	
Increase in permanent debt	745,000	
Interest paid on long-term debt	<u>(472,794)</u>	-
Net cash used in capital and related financing activities	(2,431,143)	
Cash flows from investing activities:		
Investment income	109,852	6,242
Change in fair market value of investments	-	<u>(29,489)</u>
Net cash provided by (used in) investing activities	<u>109,852</u>	<u>(23,247)</u>
Net decrease in cash	(399,027)	(29,489)
Cash and cash equivalents, beginning of year	<u>4,400,252</u>	<u>212,517</u>
Cash and cash equivalents, end of year	<u>\$ 4,001,225</u>	<u>\$ 183,028</u>

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

TOWN OF WHITMAN, MASSACHUSETTS
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting policies and financial reporting practices for municipalities in Massachusetts are prescribed by the Uniform Municipal Accounting System (UMAS) promulgated by the Commonwealth of Massachusetts Department of Revenue. The significant accounting policies followed by the Town of Whitman, Massachusetts are as follows:

a. Reporting Entity

The Town's general purpose financial statements include the operations of all organizations for which the Board of Selectmen exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

Based on aforementioned oversight criteria, the Town of Whitman was the only entity considered for inclusion in the accompanying general purpose financial statements.

b. Basis of Presentation

The accompanying financial statements include all the financial transactions of the Town of Whitman, Massachusetts, for the year ended June 30, 2002, except for those transactions involving the Whitman Housing Authority.

c. Fund Accounting

Financial transactions of the Town are recorded in the following funds or account groups:

Governmental Fund Types -

Governmental funds are those through which most governmental functions are financed. The acquisition, use and balance of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is on determination of changes in financial position, rather than on net income. The governmental fund types are as follows:

General Fund

The General Fund reflects the financial transactions related to general governmental activities which are not otherwise accounted for in another fund. Included in the General Fund are the reserved and unreserved fund balances.

Reserved Fund Balance

Established to indicate claim against assets or for other reasons certain assets are not available for discretionary appropriation.

Unreserved Fund Balance

Designated - Identifies tentative plans for, or restrictions on, the future use of financial resources. Established through actions of executive or legislative branches of government.

TOWN OF WHITMAN, MASSACHUSETTS
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Fund Accounting (continued)

Undesignated - Fund balance remaining after reduction for reserved and designated balances.

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources (other than special assessments for debt service, proprietary, expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes. These sources include gifts and grants from outside sources, which must be expended in accordance with the provisions of the grants and funds related to specific activities of the Town.

Capital Projects Funds

The Capital Projects Funds account for the acquisition of capital facilities financed in whole or in part by long-term debt. Other acquired capital facilities financed through tax levies are reflected as expenditures in the General Fund.

Proprietary Fund Types

Proprietary Funds account for activities in a manner similar to a private business enterprise where periodic determination of revenue, expenses and net income are required. The Town's Enterprise Funds reflect the revenue and expenditures pertaining to the operation of the Town's sewer and water departments.

Fiduciary Fund Types

Fiduciary Funds (Trust and Agency Funds) account for money the Town's stabilization fund and other funds held by the Town as trustee or custodian for individuals, private organizations and other governmental agencies.

Trust Funds are classified as expendable or nonexpendable depending on whether the principal portion of the fund balance may be expended, or whether only investment income may be used. Agency funds are custodial in nature and do not involve the measurement of results of operations.

General Long-term Debt Account Group

The General Long-term Debt Group of Accounts includes the liabilities for long-term debt and long-term leases. The balance payable on long-term debt is offset by resources to be provided through taxation in future years.

TOWN OF WHITMAN, MASSACHUSETTS
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Accounting for Revenues (excluding Enterprise Fund)

The accounts of the General, Special Revenue, Capital Projects and Expendable Trust Funds are reported (with the exception of General Fund nonproperty tax revenue on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become available and measurable. General Fund revenues (other than property tax revenues) are reported on a cash basis. Real estate and personal property taxes are recorded in accordance with NCGA Interpretation 3, under which property taxes are recognized as revenue when they become available. Property taxes are considered available if they are collected during the fiscal year or within sixty days after the Town's fiscal year end.

e. Accounting for Expenditures (excluding Enterprise Fund)

Expenditures are recognized in the accounting period in which a liability is incurred if measurable. Disbursements for material and supply inventories are considered expenditures rather than assets at the time of purchase. Prepayments are recorded as expenditures at the time of payment and are not deferred and amortized. Interest and repayment of long-term debt principal, relating to general obligation and school bonds, are recorded as an expenditure when paid.

f. Accounting for Enterprise Activities

The Town accounts for the operation of the sewer and water department as an enterprise fund. All accounting for the water and sewer department is recorded on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

g. Accounting for Fixed Assets

Through June 30, 2002, the Department of Revenue did not require the recording of fixed assets in the general ledger. Accordingly, the Town does not record General fixed assets in an asset account in the Town's general ledger at the time of acquisition, but expenses them when purchased. The Town does capitalize and depreciate fixed assets of the Enterprise Fund over the following estimated service lives on the straight-line basis:

Vehicle	- 5 years
Buildings	- 40 - 50 years
Infrastructure	- 50 - 100 years
Equipment	- 15 years

h. Budgetary - GAAP Reporting Reconciliation

Accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with accounting principles generally accepted in the United States (GAAP). The major differences between the budget and GAAP basis are that budgeted revenues are recorded when cash is received except for property tax revenue which is recorded when levied, encumbrances and continuing appropriations are recorded as the equivalent of expenditures (budget) as opposed to a

TOWN OF WHITMAN, MASSACHUSETTS
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Budgetary - GAAP Reporting Reconciliation (continued)

reservation of fund balance (GAAP). In addition, certain activity is presented in a separate fund (GAAP) rather than as a component of the general fund (budget). A reconciliation of the budget basis to the general fund GAAP basis financial statements is presented below:

Revenues and other financing sources over (under) expenditures and other financing uses - budgetary basis	\$(638,206)
Effect of use of modified accrual method for recognizing revenues	67,109
Timing differences in recognizing expenditures	647,704
Other available funds treated as interfund transfers for budgetary purposes	<u>(740,618)</u>
Revenues and other financing sources over (under) expenditures and other financing uses - GAAP basis	<u>\$(664,011)</u>

Massachusetts law does not require preparation of a budget for grants accounted for in the Special Revenue Funds. Since such grants are not budgeted, a budgetary comparison with actual results of operations is not presented.

i. Vacation and Sick Leave

Employees earn vacation and sick leave as they provide services. Vacation accumulation is limited to the current year. Sick leave is accumulated for employees, based upon their collective bargaining agreements or Town personnel by-laws. The cost of vacation and sick leave benefits is recorded when incurred as an expenditure of the General Fund. There is no provision to buy back vacation or sick leave; accordingly, no liability for compensated absences is recorded in the accompanying general purpose financial statements.

j. Real and Personal Property Taxes

Real and personal property taxes are based on assessed values as of the previous January 1 and are normally due on the following November 1 and May 1, respectively. By law, all taxable property must be assessed at 100% of fair cash value. Taxes due and unpaid after the due dates are subject to interest and penalties. Liens may be placed on properties for unpaid taxes 14 days after demand.

k. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgeting integration in the General Fund. Encumbrances outstanding at year end are reported as a reservation of fund balances since they do not constitute expenditures or liabilities at that date.

l. Teachers' Salary Deferral

Pursuant to Section 228-331 of Chapter 138 of the Acts of 1991, Massachusetts General Law, Chapter 71, Section 40, the Town has authorized \$343,424 in teacher's salaries paid in fiscal 1992 to be deferred for funding purposes. Taxes are being raised to cover this deferral on a funding schedule not to exceed 10 years commencing in fiscal 1997. This deferral is classified as a deficit amount in the general fund unreserved - undesignated fund balance. The balance remaining as of June 30, 2002 is \$137,372.

TOWN OF WHITMAN, MASSACHUSETTS
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Post-Employment Health Care Benefits

Retiree Benefits

In addition to the pension benefits described in Note 2, the Town provides post-retirement healthcare and life insurance benefits to all employees who retire from the Town and their dependents. The Town currently contributes 65% of the premium (except for certain supplemental coverages) up to a cap of \$7,000 annually for approximately 192 retirees. The cost of retirees healthcare and life insurance benefits is recognized as an expenditure as premiums are paid, and for 2002 those costs totaled \$325,663.

n. Allowance for Uncollectible Accounts

Allowance for uncollectible accounts receivable in the Enterprise fund at June 30, 2002 is \$169,200.

o. Contributed Capital - Enterprise Fund

The activity in the contributed capital accounts for fiscal 2002 consists of:

	Contributed Capital		
	Federal, State and Other Governmental Agencies	Town of Whitman	Total
<u>Sewer</u>			
Balance, beginning of year	\$ 12,058,318	\$ 8,373,156	\$ 20,431,474
Payment of long-term debt		805,000	805,000
Amortization of contributed capital	(377,653)	(283,608)	(661,261)
Balance, end of year	11,680,665	8,894,548	20,575,213
<u>Water</u>			
Balance, beginning of year		2,205,328	2,205,328
Payment of long-term debt		75,355	75,355
Amortization of contributed capital		(84,220)	(84,220)
Balance, end of year		2,196,463	2,196,463
Grand total	\$ 11,680,665	\$ 11,091,011	\$ 22,771,676

p. Presentation of Combined Totals

Total columns on combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

TOWN OF WHITMAN, MASSACHUSETTS
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. New Accounting Pronouncements

The Governmental Accounting Standards Board has issued the following statements which are applicable to the Town and will be effective for the Town in fiscal year 2003.

<u>Statement #</u>	
34	Basic Financial Statements and Management Discussion and Analysis for State and Local Governments
37	Basic Financial Statements and Management Discussion and Analysis for State and Local Governments; Omnibus
38	Certain Financial Statement Note Disclosures

These financial statements do not include adjustments as a result of these statements.

2. PENSION PLANS

Plan Description

The Town contributes, for eligible employees, to the Plymouth County Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the Plymouth County Retirement Association. The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The System is governed by the applicable provisions of Chapter 32 of the Massachusetts General Law (M.G.L.) and other applicable statutes. Oversight is provided by a five member board. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Plymouth County Retirement System, 11 South Russell Street, Plymouth, MA 02360.

Funding Policy

Plan members are required to contribute 5-11% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The current year Town's contributions are \$653,316, representing approximately 3.09% of the system wide employer assessments. The contribution requirements of plan members and the Town are established and may be amended by M.G.L. The Town's contributions to the System for the years ending June 30, 2001 and 2000 were \$605,274 and \$580,645, respectively, equal to the required contributions for each year.

The Commonwealth of Massachusetts contributed on behalf payments for the Town to the Commonwealth of Massachusetts, Teachers' Retirement System. Generally accepted accounting principles require the Town to record such "on behalf payments" as revenue and expenditures in the financial statements. Accordingly, these financial statements include \$723,996 of pension benefits paid by the Commonwealth of Massachusetts on behalf of the Town. This amount is included in intergovernmental state revenue and education expenditures in the general fund, but is not included in the budgetary basis statements because it is not part of the local budget.

TOWN OF WHITMAN, MASSACHUSETTS
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 2002

3. CASH DEPOSITS AND INVESTMENTS

Massachusetts General Laws, Chapter 44, Section 54 and 55, place certain limitations on cash deposits and investments available to the Town. Authorized deposits include demand deposits, term deposits, and certificates of deposit in trust companies, national banks, savings banks, and certain other financial institutions. Deposits may not exceed certain levels without collateralization of the excess by the financial institution involved. The Town may also invest in securities issued by or unconditionally guaranteed by the U.S. Government or an agency, thereof, and having a maturity from date of purchase of one year or less. The Town may also invest in repurchase agreements guaranteed by such government securities with maturity dates of not more than ninety days from date of purchase. The Town may invest in units of the Massachusetts Municipal Depository Trust ("MMDT"), a pooled investment account.

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount which reasonable estimates fair value.

a. Cash Deposits

At year-end, the carrying amount of the Town's deposits was \$4,136,602 versus an aggregate balance per the banking institutions of \$5,005,470. The nature of reconciling items between the book and bank balance consisted primarily of outstanding checks which had not cleared the bank at year end. Of the bank balance, \$618,426 was covered by depository insurance and/or collateralization, \$4,387,044 was uninsured and uncollateralized. Due to the volume of property tax collections in certain months during the year, the uninsured and uncollateralized deposit balances of those months were significantly higher than the uninsured and uncollateralized balance at June 30, 2002.

b. Investments

The Town's investments at year end are categorized below to give an indication of level or risk assumed by the Town. Category I investments consist of investments that are insured, or registered, or for which the securities are held by the Town or its agent in the Town's name. MMDT deposits and are not categorized since the units of investments are not evidenced by securities that exist in physical or book entry form.

	<u>Category 1</u>	<u>Uncategorized</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>
Common stock	\$ 34,287	\$	\$ 34,287	\$ 48,799
MMDT deposits		5,653,526	5,653,526	5,653,526
	<u>\$ 34,287</u>	<u>\$5,653,526</u>	<u>\$5,687,813</u>	<u>\$5,702,325</u>

TOWN OF WHITMAN, MASSACHUSETTS
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 2002

4. ENTERPRISE FUND - PROPERTY, PLANT AND EQUIPMENT

The following is a summary of the property, plant and equipment of the Enterprise Fund:

	Sewer	Water
Buildings	\$ 4,444,660	\$
Infrastructure	31,668,708	6,606,935
Vehicle & Equipment	159,392	146,966
	<u>36,272,760</u>	<u>6,753,901</u>
Accumulated depreciation	(8,524,149)	(1,592,960)
	<u>27,748,611</u>	<u>5,160,941</u>
Land	634,960	
	<u>\$ 28,383,571</u>	<u>\$ 5,160,941</u>

5. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and natural disasters. The Town carries commercial insurance for all risk except health insurance. The Town belongs to the Plymouth County Health Claims Trust Fund for health insurance. The Town pays annual premiums to the fund. The fund, which is self-insured, insures itself for individual claims in excess of \$150,000.

6. JOINT VENTURE

The Town is a participant with the Town of Hanson in a joint venture to operate the Whitman-Hanson Regional School District (W-HRSD), a regional school district established pursuant to Chapter 71 of the General Laws of Massachusetts for the benefit of students in pre-kindergarten through grade twelve from the Towns of Whitman and Hanson, Massachusetts. The W-HRSD is governed by an elected ten-member School committee composed of six members from Whitman and four from Hanson.

If the Town were to withdraw from the W-HRSD, the Town would be liable for their share of outstanding debt, pursuant to the Regional School agreement. Pursuant to Massachusetts General Law, Chapter 71 of the Acts of 1993 (the Education Reform Act), the Department of Education calculates the Town's minimum local contribution to the W-HRSD's net School spending. In addition, the Town must also contribute to the W-HRSD for other School spending (transportation, capital costs, debt service, and other extraordinary costs). During fiscal year 2002, the Town contributed \$7,160,178, consisting of \$5,911,957 for the operating budget; \$270,423 for non-mandated transportation and other; and \$977,798 for debt costs to the Regional School District. Complete financial statements for the W-HRSD can be obtained from the W-HRSD's administrative office at 600 Franklin Street, Whitman, Massachusetts.

The Elementary Schools in Town are leased, rent free, to the W-HRSD. Capital expenditures relating to the Elementary Schools are the responsibility of the Town.

The Town also participates in a joint venture between eight towns to operate the South Shore Regional Vocational Technical High School. The Town's assessment for the Vocational High School totaled \$1,196,663 for fiscal 2002. Financial statements of the Vocational High School may be obtained from the School's administrative office, 476 Webster Street, Hanover, MA 02339.

The Town has no equity interest in any joint venture.

TOWN OF WHITMAN, MASSACHUSETTS
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 2002

7. LONG-TERM DEBT

GENERAL OBLIGATION BONDS

The following is a summary of general obligation bond transactions of the Town for the year as well as the composition of the debt outstanding at June 30, 2002:

<u>Purpose of Issue</u>	<u>Serial Maturities Through</u>	<u>Outstanding July 1, 2001</u>	<u>Additions (Reductions)</u>	<u>Outstanding June 30, 2002</u>
MWPAT-Septic General Obligation 4.539%	2019 2017	\$ 73,215	\$(3,861) 3,390,000	\$ 69,354 3,390,000
		<u>\$ 73,215</u>	<u>\$ 3,386,139</u>	<u>\$3,459,354</u>

General obligation debt service requirements in future years consisted of the following at June 30, 2002:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 218,858	\$ 145,431	\$ 364,289
2004	208,858	137,395	346,253
2005	208,858	129,541	338,399
2006	208,858	121,425	330,283
2007-thereafter	2,613,922	830,254	3,444,176
	<u>\$3,459,354</u>	<u>\$1,364,046</u>	<u>\$4,823,400</u>

The Town has established debt reserve funds for the renovations - Town Hall, Fire Station, Library project and the School project. As of June 30, 2002, these reserves have a balance of \$404,625 and \$178,468, respectively. These funds are accounted for in the general fund and included in these financial statements in the general fund unreserved-designated fund balance.

As of June 30, 2002, the Town had no bond anticipation notes outstanding.

Loans authorized and unissued consisted of the following at June 30, 2002:

<u>Purpose</u>	<u>Fiscal year authorized</u>	<u>Authorized and Unissued</u>
Town Hall fire sprinklers	1999	4,860
		<u>\$ 4,860</u>

In addition, the Town has authorized debt for the Whitman-Hanson Regional School District for reconstruction and remodeling of School buildings. The District will assess the Town for these capital costs in accordance with the District agreement.

TOWN OF WHITMAN, MASSACHUSETTS
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

7. LONG TERM DEBT - (continued)
ENTERPRISE FUND

The following is a summary of Enterprise Fund bond transactions of the Town for the year as well as the composition of the debt outstanding at June 30, 2002:

Purpose	Amount of Issue	Serial Maturities Through	Interest Rate	Outstanding July 1, 2000	Additions (Reductions)	Outstanding June 30, 2002
Sewer Phase II	5,000,000	2013	5.80%	\$ 3,000,000	\$ (250,000)	\$ 2,750,000
Refunding Bonds	5,745,000	2008	5.33%	3,090,000	(555,000)	2,535,000
MWPAT-Water mains	2,043,140	2030		2,043,140	(75,357)	1,967,783
Water bonds	745,000	2017	4.539%	<u>8,133,140</u>	(135,357)	<u>7,997,783</u>
Deferred on refunding				305,770	43,682	262,088
				<u>\$ 7,827,370</u>	<u>\$ (91,675)</u>	<u>\$ 7,735,695</u>

Enterprise Fund debt service requirements in future years consisted of the following at June 30, 2002:

Year ending June 30,	Principal	Interest	Total
2003	\$ 912,454	\$ 432,473	\$ 1,344,927
2004	904,659	385,561	1,290,220
2005	896,823	337,973	1,234,796
2006	788,942	290,093	1,079,035
2007-2030	4,494,905	1,389,212	5,884,117
	<u>\$7,997,783</u>	<u>\$2,835,312</u>	<u>\$10,833,095</u>

Loans authorized and unissued consisted of the following at June 30, 2002:

Purpose	Year Authorized	Authorized and Unissued
Sewer Phase II	1984	\$ 580,000
Water - engineering and construction of water mains	1999	6,455,000
Water - engineering and construction of water mains	2002	1,300,000
		<u>\$8,335,000</u>

TOWN OF WHITMAN, MASSACHUSETTS
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 2002

7. LONG TERM DEBT (continued)
 ENTERPRISE FUND

As of June 30, 2002, the Town's water enterprise fund had \$643,303 of MWPAT interim notes outstanding, due November 30, 2002, which is subsidized as to principal and interest.

The outstanding Massachusetts Water Pollution Abatement Trust (MWPAT) bonds above are recorded at the gross amount outstanding. The Town is obligated to repay the full amount outstanding including interest; however, pursuant to agreements with the Commonwealth of Massachusetts, approximately 34% and 46% of the debt service payments relating to septic and water mains, respectively, will be subsidized by the Commonwealth of Massachusetts via assistance payments (and MWPAT available earnings).

8. OPERATING TRANSFERS

Operating transfers constitute the transfer of resources from the fund that receives the resources to the fund that utilizes them. Operating transfers during the year were as follows:

	Transfers In (Out)			
	General Fund	Special Revenue Fund	Expendable	Trust and Agency Funds Non- Expendable Enterprise Fund
Ambulance receipts	\$ 390,393	\$(390,393)	\$	\$
Motor vehicle fines fund	116,000	(116,000)		
Interest income			6,242	(6,242)
Stabilization fund	(326,605)		326,605	
Debt	(977,225)			977,225
Betterments reserve fund	4,149	(4,149)		
Close out grant accounts	5,202	(5,202)		
	<u>\$(788,086)</u>	<u>\$(515,744)</u>	<u>\$ 332,847</u>	<u>\$(6,242)</u>
				<u>\$ 977,225</u>

TOWN OF WHITMAN, MASSACHUSETTS
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 2002

9. LEASES

The Town leases certain vehicles and equipment under capital leases, which expire over the next two years. Lease payments are expensed in the current year. Changes in lease obligations and future minimum lease principal payments are as follows:

	<u>Balance June 30, 2001</u>	<u>Additions/ (Payments)</u>	<u>Balance June 30, 2002</u>
Office equipment, due FY 03	\$12,304	\$(7,030)	\$ 5,274
Police cruisers, due FY 04	18,000	42,000	60,000
Fire Department equipment, due FY 03	59,608	(29,804)	29,804
	<u>\$89,912</u>	<u>\$ 5,166</u>	<u>\$95,078</u>
	<u>Fiscal year Due</u>	<u>Principal Amount</u>	
	2003	\$ 65,078	
	2004	<u>30,000</u>	
		<u>\$ 95,078</u>	

10. COMMITMENTS AND CONTINGENCIES

The Town is named as a defendant in several lawsuits at June 30, 2002. In the opinion of the administration, the ultimate resolution of these legal actions will not result in a material loss to the Town.