

**TOWN OF WHITMAN, MASSACHUSETTS  
BASIC FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDING JUNE 30, 2003**

**TOWN OF WHITMAN, MASSACHUSETTS**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING JUNE 30, 2003**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Selectmen  
Town of Whitman, Massachusetts

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 Whitman, Massachusetts, as of and for the year ended June 30, 2003, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Note 2, the Town of Whitman, Massachusetts has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of June 30, 2003.

As discussed in Note 6 to the financial statements, management has not recorded certain general infrastructure and capital assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable. In addition, the Town has provided for a valuation of the infrastructure and capital assets reported in each of its business-type activities. The results of this valuation were materially different from the amounts recorded by the Town in its business-type activities and have not been reconciled. The amount by which this difference would affect the assets, net assets, and expenses of the business-type activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities and business-type activities of the Town of Whitman, Massachusetts, as of June 30, 2003, and the changes in financial position and cash flows, where applicable, thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the Town of Whitman, Massachusetts, as of June 30, 2003, and the respective changes in financial position thereof and respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Because of the incomplete financial reporting of capital and infrastructure assets the Town has not presented a Management Discussion and Analysis, (MD&A), that accounting principles generally accepted in the United States of America require to supplement, although not be part of the basic financial statements.

*Thevenin Lynch, Bienvenue LLP*

June 9, 2004, except for capital assets  
which are dated February 23, 2005

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS 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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Whitman, Massachusetts as of and for the year ended June 30, 2003, which collectively comprise the Town of Whitman, Massachusetts' basic financial statements and have issued our report thereon dated June 9, 2004, except for capital assets which are dated February 23, 2005. The report on the governmental and business-type activities was adverse due to not properly reporting capital assets and infrastructure. 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.

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 opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the 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 management of the Town of Whitman, Massachusetts in a separate letter dated June 9, 2004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Whitman, Massachusetts' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to management of the Town of Whitman, Massachusetts in a separate letter dated June 9, 2004.

This report is intended solely for the information and use of management and Board of Selectmen is not intended to be and should not be used by anyone other than these specified parties.

*Thevenin, Lynch, Bienvenue LLP*

June 9, 2004

**TOWN OF WHITMAN, MASSACHUSETTS**

Statement of Net Assets

June 30, 2003

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 3,841,825	\$ 2,418,814	\$ 6,260,639
Investments	2,907,479	1,508,958	4,416,437
Receivables, net of allowance for uncollectibles	2,945,459	4,439,335	7,384,794
Deferred bond costs		342,916	342,916
Capital assets, net of accumulated depreciation	-	36,288,576	36,288,576
Total assets	<u>\$ 9,694,763</u>	<u>\$ 44,998,599</u>	<u>\$ 54,693,362</u>
<b><u>LIABILITIES</u></b>			
Accounts payable and other current liabilities	\$ 310,579	\$ 5,018	\$ 315,597
Accrued payroll and withholdings	113,656	12,242	125,898
Escrow deposits		19,369	19,369
Accrued interest payable	6,964	63,348	70,312
Provision for refund of paid taxes	119,388		119,388
Noncurrent liabilities			
Due within one year	219,858	1,133,414	1,353,272
Due in more than one year	3,053,639	11,390,416	14,444,055
Total liabilities	3,824,084	12,623,807	16,447,891
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	(3,492,354)	23,764,746	20,272,392
Restricted	5,237,166		5,237,166
Unrestricted	4,125,867	8,610,046	12,735,913
Total net assets	<u>5,870,679</u>	<u>32,374,792</u>	<u>38,245,471</u>
Total liabilities and net assets	<u>\$ 9,694,763</u>	<u>\$ 44,998,599</u>	<u>\$ 54,693,362</u>

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

**TOWN OF WHITMAN, MASSACHUSETTS**

Statement of Activities

For the Year Ended June 30, 2003

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating		Governmental Activities	Primary Government	
		Charges for Services	Grants and Contributions		Business-type Activities	Total
<b>Primary government</b>						
Governmental activities						
General government	\$ 3,587,703	\$ 295,191	\$ 755,438	\$ (2,522,312)	\$ -	\$ (2,522,312)
Public safety	4,100,309	619,834	119,245	(3,278,062)	-	(3,278,062)
Education	8,446,837	-	144,652	(8,302,185)	-	(8,302,185)
Public works	2,183,320	839,258	37,475	(1,293,041)	-	(1,293,041)
Health and human services	341,929	27,084	57,191	(257,654)	-	(257,654)
Culture and recreation	661,414	28,826	21,384	(598,883)	-	(598,883)
Interest on long-term debt	142,090	-	-	(142,090)	-	(142,090)
State and county charges	88,829	-	-	(88,829)	-	(88,829)
Total governmental activities	19,552,431	1,810,193	1,135,385	(16,483,056)	-	(16,483,056)
<b>Business-type activities</b>						
Water	1,209,637	1,398,844	1,583,860	-	1,773,067	1,773,067
Sewer	1,811,955	904,523	51,663	-	(855,769)	(855,769)
Total business-type activities	3,021,592	2,303,367	1,635,523	-	917,298	917,298
<b>Total primary government</b>	<b>\$ 22,574,023</b>	<b>\$ 4,113,560</b>	<b>\$ 2,770,908</b>	<b>(16,483,056)</b>	<b>917,298</b>	<b>(15,565,758)</b>
<b>General revenues</b>						
Property taxes and payments in lieu, net of allowance for uncollectibles				14,947,120		14,947,120
Excise taxes				1,432,021		1,432,021
Penalties and interest on taxes				91,344		91,344
Intergovernmental				2,083,369		2,083,369
Investment income				77,349		77,349
Departmental receipts and miscellaneous				3,873		3,873
Transfers, net				(943,058)	943,058	-
Total general revenues, special items and transfers				17,692,018	943,058	18,635,076
Change in net assets				1,208,962	1,860,356	3,069,318
Net assets - beginning of year				4,661,717	30,514,436	35,176,153
Net assets - end of year				\$ 5,870,679	\$ 32,374,792	\$ 38,245,471

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

TOWN OF WHITMAN, MASSACHUSETTS

Balance Sheet - Governmental Funds

June 30, 2003

	<u>General Fund</u>	<u>Debt Appropriation Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 1,469,076	\$ 209,891	\$ 2,162,858	\$ 3,841,825
Investments	10,026	1,620,913	1,276,540	2,907,479
Receivables	<u>3,015,363</u>	<u>-</u>	<u>43,712</u>	<u>3,059,075</u>
 Total assets	 <u>\$ 4,494,465</u>	 <u>\$ 1,830,804</u>	 <u>\$ 3,483,110</u>	 <u>\$ 9,808,379</u>
<b><u>LIABILITIES</u></b>				
Accounts payable and other current liabilities	\$ 401,994	\$ -	\$ 22,240	\$ 424,234
Provision for refund of paid taxes	119,388			119,388
Deferred revenue	<u>2,554,993</u>	<u>-</u>	<u>43,712</u>	<u>2,598,705</u>
 Total liabilities	 <u>3,076,375</u>	 <u>-</u>	 <u>65,952</u>	 <u>3,142,327</u>
<b><u>FUND BALANCES</u></b>				
Reserved for				
Encumbrances and continued appropriations	1,286,746			1,286,746
Unreserved				
General Fund	131,344			131,344
Special revenue funds		1,830,804	3,357,608	5,188,412
Capital projects funds			35,977	35,977
Permanent fund	<u>-</u>	<u>-</u>	<u>23,573</u>	<u>23,573</u>
 Total fund balances	 <u>1,418,090</u>	 <u>1,830,804</u>	 <u>3,417,158</u>	 <u>6,666,052</u>
 Total liabilities and fund balances	 <u>\$ 4,494,465</u>	 <u>\$ 1,830,804</u>	 <u>\$ 3,483,110</u>	 <u>\$ 9,808,379</u>
 Amounts reported for governmental activities in the statement of net assets are different because:				
Total fund balances of governmental funds				\$ 6,666,052
Accounts receivable are not available to pay for current-period expenditures and are deferred in funds, net of uncollectibles				2,485,088
Long-term liabilities are not due and payable in the current period and are not included in funds.				(3,273,497)
Reporting of liabilities on full accrual basis requires associated interest, net of subsidies, be accrued.				<u>(6,964)</u>
 Net assets of governmental activities				 <u>\$ 5,870,679</u>

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

**TOWN OF WHITMAN, MASSACHUSETTS**  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
For the Year Ended June 30, 2003

	<u>General Fund</u>	<u>Debt Appropriation Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Property taxes	\$ 14,796,966	\$ -	\$ -	\$ 14,796,966
Excise taxes	1,467,893			1,467,893
Licenses and permits	220,779			220,779
Penalties and interest	91,344			91,344
Investment income	76,779		25,335	102,114
Charges for services	836,898		46,279	883,177
Fines and fees	123,114		138,242	261,356
Contributions and donations			22,734	22,734
Departmental and other	33,285		513,789	547,074
Intergovernmental	<u>3,355,488</u>	<u>144,652</u>	<u>144,967</u>	<u>3,645,107</u>
Total revenues	21,002,546	144,652	891,346	22,038,544
<b>Expenditures</b>				
Current				
General government	3,537,823		55,154	3,592,977
Public safety	4,024,928		165,184	4,190,112
Education	8,446,837			8,446,837
Public works	2,102,904		80,416	2,183,320
Human services	318,517		23,412	341,929
Culture and recreation	593,125		68,289	661,414
State and county assessments	88,829			88,829
Debt service	<u>361,341</u>	<u>-</u>	<u>-</u>	<u>361,341</u>
Total expenditures	<u>19,474,304</u>	<u>-</u>	<u>392,455</u>	<u>19,866,759</u>
Revenues over (under) expenditures	1,528,242	144,652	498,891	2,171,785
<b>Other financing sources (uses)</b>				
Transfers in from other funds	1,197,358	1,907,870	693,694	3,798,922
Transfers out to other funds	<u>(3,444,622)</u>	<u>(804,811)</u>	<u>(492,547)</u>	<u>(4,741,980)</u>
Total other financing sources (uses)	<u>(2,247,264)</u>	<u>1,103,059</u>	<u>201,147</u>	<u>(943,058)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(719,022)	1,247,711	700,038	1,228,727
Fund balance, beginning of year	<u>2,137,112</u>	<u>583,093</u>	<u>2,717,120</u>	<u>5,437,325</u>
Fund balance, end of year	<u>\$ 1,418,090</u>	<u>\$ 1,830,804</u>	<u>\$ 3,417,158</u>	<u>\$ 6,666,052</u>

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

**TOWN OF WHITMAN, MASSACHUSETTS**  
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds  
 To Statement of Activities  
 For the Year Ended June 30, 2003

Revenues and other financing sources over (under) expenditures and other financing uses \$ 1,228,727

Revenues are recognized on the modified accrual basis of accounting in the fund financial statements, but are recognized on the accrual basis of accounting in the government-wide financial statements.

Net change in deferred revenue 43,637

The issuance and repayment of long-term debt are recorded as other financing sources or uses in the fund financial statements, but have no effect on net assets in the government-wide financial statements. Also, governmental funds report issuance costs, premiums, discounts and similar items as expenditures when paid, whereas these amounts are deferred and amortized on a government-wide basis.

Principal payments on long-term debt 218,858  
 Principal payments on long-term leases 95,078

The fund financial statements record interest on long-term debt when due and revenue from related subsidies when received. The government-wide financial statements report interest on long-term debt and revenue on subsidies when incurred.

Net change in accrued interest expense 394  
 Net change in accrued subsidies (377,732)

Change in net assets of governmental activities \$ 1,208,962

**TOWN OF WHITMAN, MASSACHUSETTS**  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis  
General Fund - Budget and Actual  
For the Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Property taxes	\$ 14,890,511	\$ 14,890,511	\$14,889,466	\$ (1,045)
Excise taxes	1,484,794	1,484,794	1,467,893	(16,901)
Licenses, fines, fees	154,491	154,491	343,893	189,402
Penalties and interest	210,836	210,836	91,344	(119,492)
Investment interest	137,005	137,005	76,779	(60,226)
Charges for services	944,110	944,110	836,898	(107,212)
Departmental and other	43,170	43,170	33,285	(9,885)
Intergovernmental	<u>2,424,552</u>	<u>2,424,552</u>	<u>2,629,655</u>	<u>205,103</u>
Total revenues	20,289,469	20,289,469	20,369,213	79,744
<b>Expenditures</b>				
General government	3,447,907	3,195,911	3,086,370	109,541
Public safety	4,511,384	4,351,571	4,024,928	326,643
Education	8,449,840	8,448,617	8,446,837	1,780
Public works	1,817,584	1,805,692	2,102,904	(297,212)
Human services	334,385	325,799	318,517	7,282
Culture and recreation	709,154	602,349	593,125	9,224
State and county assessments	90,849	90,849	88,829	2,020
Debt service	<u>803,050</u>	<u>385,800</u>	<u>361,341</u>	<u>24,459</u>
Total expenditures	<u>20,164,153</u>	<u>19,206,588</u>	<u>19,022,851</u>	<u>183,737</u>
Revenues over (under) expenditures	125,316	1,082,881	1,346,362	263,481
<b>Other financing sources (uses)</b>				
Transfers in from other funds	1,471,738	1,471,738	1,471,738	-
Transfers out to other funds	<u>(2,750,929)</u>	<u>(3,444,622)</u>	<u>(3,444,622)</u>	-
Total other financing sources (uses)	<u>(1,279,191)</u>	<u>(1,972,884)</u>	<u>(1,972,884)</u>	-
Revenues and other financing sources over (under) expenditures and other financing uses	(1,153,875)	(890,003)	(626,522)	<u>\$ 263,481</u>
Fund balance, beginning of year			<u>2,461,147</u>	
Fund balance, end of year			<u>\$ 1,834,625</u>	
<b>Other budget items</b>				
Free cash appropriations		759,108		
Teacher salary deferral	(34,342)	(34,342)		
Carryover encumbrances	<u>1,188,217</u>	<u>165,237</u>		
Total other budget items	<u>1,153,875</u>	<u>890,003</u>		
Net budget	<u>\$ -</u>	<u>\$ -</u>		

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

**TOWN OF WHITMAN, MASSACHUSETTS**

Statement of Net Assets - Proprietary Funds

June 30, 2003

	<u>Business-Type Activities</u>		
	<u>Water</u>	<u>Sewer</u>	
	<u>Enterprise</u>	<u>Enterprise</u>	<u>Totals</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 436,900	\$ 1,981,914	\$ 2,418,814
Investments	673,478	835,480	1,508,958
Receivables, net of allowance for uncollectibles	4,148,499	290,836	4,439,335
Deferred bond costs		342,916	342,916
Capital assets, net of accumulated depreciation	<u>8,342,319</u>	<u>27,946,257</u>	<u>36,288,576</u>
Total assets	<u>\$ 13,601,196</u>	<u>\$ 31,397,403</u>	<u>\$ 44,998,599</u>
<b><u>LIABILITIES</u></b>			
Accounts payable and other current liabilities	\$ 2,089	\$ 2,929	\$ 5,018
Accrued payroll and withholdings	8,133	4,109	12,242
Escrow deposits		19,369	19,369
Accrued interest payable	1,258	62,090	63,348
Noncurrent liabilities			
Due within one year	323,414	810,000	1,133,414
Due in more than one year	<u>7,630,416</u>	<u>3,760,000</u>	<u>11,390,416</u>
Total liabilities	7,965,310	4,658,497	12,623,807
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	388,489	23,376,257	23,764,746
Unrestricted	<u>5,247,397</u>	<u>3,362,649</u>	<u>8,610,046</u>
Total net assets	<u>5,635,886</u>	<u>26,738,906</u>	<u>32,374,792</u>
Total liabilities and net assets	<u>\$ 13,601,196</u>	<u>\$ 31,397,403</u>	<u>\$ 44,998,599</u>

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

**TOWN OF WHITMAN, MASSACHUSETTS**  
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds  
For the Year Ended June 30, 2003

	<u>Business-Type Activities</u>		
	<u>Water Enterprise</u>	<u>Sewer Enterprise</u>	<u>Totals</u>
<b>Operating revenues</b>			
Charges for service	\$ 1,188,590	\$ 806,568	\$ 1,995,158
Departmental and other	<u>210,254</u>	<u>97,955</u>	<u>308,209</u>
Total operating revenues	1,398,844	904,523	2,303,367
<b>Operating expenses</b>			
Operations	942,404	755,782	1,698,186
Depreciation	84,220	727,661	811,881
Amortization of refunding costs	<u>-</u>	<u>60,812</u>	<u>60,812</u>
Total operating expenses	1,026,624	1,544,255	2,570,879
<b>Operating income (loss)</b>	372,220	(639,732)	(267,512)
<b>Non operating revenues (expenses)</b>			
Intergovernmental	1,567,728		1,567,728
Investment income	16,132	51,663	67,795
Interest expense	<u>(183,013)</u>	<u>(267,700)</u>	<u>(450,713)</u>
Total non operating revenue (expenses), net	<u>1,400,847</u>	<u>(216,037)</u>	<u>1,184,810</u>
Income (loss) before transfers	1,773,067	(855,769)	917,298
<b>Transfers</b>			
Transfers in	<u>-</u>	<u>943,058</u>	<u>943,058</u>
Change in net assets	1,773,067	87,289	1,860,356
Net assets at beginning of year	<u>3,862,819</u>	<u>26,651,617</u>	<u>30,514,436</u>
Net assets at end of year	<u>\$ 5,635,886</u>	<u>\$ 26,738,906</u>	<u>\$ 32,374,792</u>

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

**TOWN OF WHITMAN, MASSACHUSETTS**  
Statement of Cash Flows - Proprietary Funds  
For the Year Ended June 30, 2003

	<u>Business-Type Activities</u>		
	<u>Water Enterprise</u>	<u>Sewer Enterprise</u>	<u>Total Enterprise</u>
<b>Cash flows from operating activities</b>			
Receipts from customers, users and other departmental	\$ 1,480,537	\$ 1,012,444	\$ 2,492,981
Payments to vendors	(823,047)	(549,597)	(1,372,644)
Payments to employees, including fringe benefits	(228,614)	(209,013)	(437,627)
Other receipts (payments)	(2,222)	1,351	(871)
Net cash provided by operating activities	<u>426,654</u>	<u>255,185</u>	<u>681,839</u>
<b>Cash flows from noncapital financing activities</b>			
Net transfer from (to) other funds	<u>23,220</u>	<u>740,375</u>	<u>763,595</u>
Net cash provided by noncapital financing activities	23,220	740,375	763,595
<b>Cash flows from capital and related financing activities</b>			
Proceeds from capital debt, net of subsidies	3,275,942	2,580,000	5,855,942
Acquisition and construction of capital assets	(3,265,597)	(290,047)	(3,555,644)
Principal payments on bonds and notes	(101,771)	(3,295,000)	(3,396,771)
Bond refunding and amortization costs		(80,000)	(80,000)
Interest expense	(111,968)	(298,241)	(410,209)
Net cash used by capital and related financing activities	<u>(203,394)</u>	<u>(1,383,288)</u>	<u>(1,586,682)</u>
<b>Cash flows from investing activities</b>			
Investment income	<u>16,132</u>	<u>51,663</u>	<u>67,795</u>
Net change in cash and cash equivalents	262,612	(336,065)	(73,453)
Cash and cash equivalents at beginning of year	<u>847,766</u>	<u>3,153,459</u>	<u>4,001,225</u>
Cash and cash equivalents at end of year	<u>\$ 1,110,378</u>	<u>\$ 2,817,394</u>	<u>\$ 3,927,772</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income (loss)	\$ 372,220	\$ (639,732)	\$ (267,512)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	84,220	727,661	811,881
Changes in assets and liabilities:			
Receivables, net	77,693	88,731	166,424
Warrants payable	(40,276)	(2,828)	(43,104)
Interfund balances	(63,685)	81,901	18,216
Other liabilities	(3,518)	(548)	(4,066)
Total adjustments	<u>54,434</u>	<u>894,917</u>	<u>949,351</u>
Net cash provided by operating activities	<u>\$ 426,654</u>	<u>\$ 255,185</u>	<u>\$ 681,839</u>

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

**TOWN OF WHITMAN, MASSACHUSETTS**  
**Statement of Net Assets - Fiduciary Funds**  
**June 30, 2003**

	<u>Private Purpose Trust Funds</u>	<u>Agency Accounts</u>	
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 237,840	\$ 103,327	
Investments	41,658		
Receivables, net of allowance for uncollectibles	-	20,690	
 Total assets	 \$ 279,498	 \$ 124,017	
<b><u>LIABILITIES</u></b>			
Accounts payable and other current liabilities	-	124,017	
 Total liabilities		 124,017	
<b><u>NET ASSETS</u></b>			
Held in trust	279,498	-	
 Total liabilities and net assets	 \$ 279,498	 \$ 124,017	

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

**TOWN OF WHITMAN, MASSACHUSETTS**  
**Statement of Changes in Net Assets - Fiduciary Funds**  
**For the Year Ended June 30, 2003**

	<b>Private Purpose Trust Funds</b>
<b>Additions</b>	
Interest and dividends	\$ 6,884
Donations	50
Net increase (decrease) in market value of investments	<u>(7,140)</u>
Total additions	(206)
 <b>Deductions</b>	
Scholarships and awards	3,480
Donations	<u>2,941</u>
Total deductions	<u>6,421</u>
Change in net assets	(6,627)
Net assets at beginning of year	<u>286,125</u>
Net assets at end of year	<u>\$ 279,498</u>

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

**TOWN OF WHITMAN, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2003

**Note 1. Organization and Reporting Entity**

**A. Organization**

The Town of Whitman, Massachusetts (the "Town"), was incorporated in 1875. The Town operates under a Town Meeting form of government. The Town's major operations include police and fire protection, parks, library and recreation, public works and general administrative services. In addition, the Town owns and operates a water system, and sewer facility.

**B. Reporting Entity**

*General*

The accompanying financial statements present the Town of Whitman (the primary government) and its component units. Component units are included in the reporting entity if their operational and financial relationships with the Town are significant. Pursuant to these criteria, the Town of Whitman did not identify any component units requiring inclusion in the accompanying financial statements.

*Joint Ventures*

The Town has entered into joint ventures with other municipalities to pool resources and share the costs, risks, and rewards of providing goods and services to venture participants directly, or for the benefit of the general public or specific recipients. The following is a list of the Town's joint ventures, their purpose, and the annual assessment paid by the Town in 2003. Financial statements may be obtained from each joint venture by contacting them directly. The Town does not have an equity interest in any joint venture.

<u>Joint venture and address</u>	<u>Purpose</u>	<u>FY 2003 Assessment</u>
Whitman-Hanson Regional School District 600 Franklin Street Whitman, MA 02382	To provide education to students grades Pre K-12.	\$ 6,575,139
South Shore Regional School District 476 Webster Street Hanover, MA 02339-1215	To provide vocational education to students grades 9-12.	1,184,096

*Related Organizations*

Board members for the Whitman Housing Authority consist of four residents elected by Town voters, and one state appointed resident; thus, the Town has no accountability for this organization.

**Note 2. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply

# TOWN OF WHITMAN, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2003

FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town is discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- For the first time the financial statements are required to include:
  - A management Discussion and Analysis (MD&A) section providing an analysis of the Town's overall financial position and results of operations.
  - Full accrual accounting for all of the Town's activities, including infrastructure (roads, bridges, etc.)
  - A change in the fund financial statements to focus on the major funds.

The Town has elected to implement the general provisions of the statement in the current year. However, the Town has not recorded capital assets and infrastructure in governmental activities, nor recorded depreciation expense on these assets as required by the statement.

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's police and fire protection, parks, library and recreation, public works, schools, and general administrative services are classified as governmental activities. The Town's water and sewer services are classified as business-type activities.

### Government-wide Statements

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts—invested in capital assets (net of related debt); restricted net assets, and unrestricted net assets. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities. Gross expenses are reduced on the Statement of Activities by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue.

Certain costs, such as pension benefits, property, liability and health insurance, among others are not allocated among the Town's functions and are included in general government expenses in the Statement of Activities. State assessments are not allocated and are reported separately.

# TOWN OF WHITMAN, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2003

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net assets resulting from the current year's activities.

### Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town:

#### Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

- General fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- Special revenue funds are other funds used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- Debt service funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt. Currently, the Town does not utilize a debt service fund.
- Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).
- Permanent funds are used to account for 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 Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:

# TOWN OF WHITMAN, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2003

- Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues, has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or establishes fees and charges based on a pricing policy designed to recover similar costs.
- Internal service funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the Town on a cost-reimbursement basis. Currently, the Town does not utilize internal service funds.

### Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net assets and changes in net assets and is reported using accounting principles similar to proprietary funds. The following is a description of the fiduciary funds of the Town:

- Private purpose trust funds account for resources legally held in trust for the benefit of persons and organizations other than the Town. Since these funds cannot be used for providing Town services, they are excluded from the Town's government-wide financial statements.
- Agency funds are used to hold funds on behalf of parties other than the Town, including federal and state agencies and public school student activities. Agency funds are custodial in nature and do not involve measurement of results of operations.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Town may electively add funds, as major funds, which have specific community focus. The nonmajor funds are combined in a column in the fund financial statements.

For the year ended June 30, 2003, the Town reports the Debt Appropriation Special Revenue Fund as a major governmental fund, along with the general fund. The Town reports each proprietary fund as a major fund, which includes the water fund and sewer fund.

The Town's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

# TOWN OF WHITMAN, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2003

### **B. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

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

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

### **C. Cash and Investments**

For the purpose of the Statement of Net Assets, "cash and cash equivalents" include all demand, savings accounts, and certificates of deposits of the Town. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in these notes.

### **D. Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

# TOWN OF WHITMAN, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2003

### **E. Receivables**

Receivables consist of all revenues earned at year-end and not yet received, net of an allowance for uncollectible amounts. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The Town classifies outstanding personal property taxes and motor vehicle and boat excise three years or more years old as uncollectible for financial reporting purposes. The Town estimates 25% of ambulance charges to be uncollectible. Outstanding real estate taxes and trash fees are secured by tax liens, and therefore considered to be fully collectable.

### **F. Capital Assets**

In the fund and government-wide financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for as capital assets and are valued at historical cost or estimated historical cost if the actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation. Depreciation is recorded in each proprietary fund on a straight-line basis over estimated useful lives.

### **G. Long-term Obligations**

The accounting treatment of long-term obligations depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. Long-term obligations consist primarily of notes and bonds payable, accrued compensated absences, and post closure monitoring costs for municipal landfills.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. Debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

### **H. Compensated Absences**

The Town's policies and provisions of bargaining unit contracts and personnel by-laws regarding vacation and sick time permit employees to earn vacation and sick leave as they provide services. Vacation accumulation is limited to the current year. 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 as a long-term obligation in the government-wide statements.

### **I. Equity Classifications**

#### **Government-wide Statements**

Equity is classified as net assets and displayed in three components:

# TOWN OF WHITMAN, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2003

- Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

### Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Permanent fund balances are classified as reserved and are further classified between expendable and non-expendable portions. Proprietary fund equity is classified the same as in the government-wide statements.

### J. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results will differ from those estimates.

### K. Total columns

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

The total column presented 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 3. Stewardship, Compliance and Accountability

#### A. Property tax calendar and limitations

Real and personal property taxes are based on values assessed as of each January 1 and are normally due on a quarterly basis during the year. By law, all taxable property in the Commonwealth must be assessed at 100% of fair cash value. Taxes due and unpaid after the respective due dates are subject to lien, interest and penalties. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables in the fiscal year of the levy.

**TOWN OF WHITMAN, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2003

A statewide property tax limitation statute known as "Proposition 2 ½" limits the property tax levy to an amount equal to 2 ½ % of the value of all taxable property in the Town. A secondary limitation is that no levy in a fiscal year may exceed the preceding year's allowable tax levy by more than 2 ½ %, plus taxes levied on certain property newly added to the tax rolls ("new growth"). Certain Proposition 2 ½ taxing limitations can be overridden by a town-wide referendum vote.

**B. Budgetary basis of accounting**

The Town must establish its property tax rate each year so that the resulting property tax levy will comply with the limits required by Proposition 2 ½ and also constitute that amount which will equal the sum of (a) the aggregate of all annual appropriations for expenditures and transfers, plus (b) provision for the prior fiscal year's deficits, if any, less (c) the aggregate of all non-property tax revenue and transfers projected to be received by the Town, including available surplus funds.

The budgets for all departments and operations of the Town, except that of the public schools, are prepared under the direction of the Board of Selectmen. The School Department budget is prepared under the direction of the School Committee. Original and supplemental appropriations are acted upon by vote of Town Meeting. All general fund and enterprise fund functions are budgeted, the town does not have legally adopted annual budgets for its special revenue funds. Budgets for various special revenue funds utilized to account for specific grant programs are established in accordance with the requirements of the Commonwealth or other grantor agencies.

Budgets are prepared on a basis other than accounting principles generally accepted in the United States of America (GAAP). The "actual" results column of the Statements of Revenues, Expenditures and Changes in Fund Balance – Budgetary Basis, are presented on a "budget basis" to provide a meaningful comparison with the budget. The major differences between the budget and GAAP basis is that all budgeted revenues are recorded when cash is received, except for real estate and personal property taxes, which are recorded as revenues when levied (budget) as opposed to when susceptible to accrual (GAAP). A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2003, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
As reported on a budgetary basis	\$ 20,369,213	\$ 19,022,851	\$ (1,972,884)
Adjustment of property tax revenues to modified accrual basis	(92,500)		
State funded teacher's pension	725,833	725,833	
Indirect costs of other funds recorded as operating transfers on budgetary basis, net of interfund charges	-	(274,380)	(274,380)
As reported on a GAAP basis	<u>\$ 21,002,546</u>	<u>\$ 19,474,304</u>	<u>\$ (2,247,264)</u>

**C. Fund equities**

Operations of the various Town funds for fiscal 2003 were funded in accordance with the General Laws of Massachusetts. The Town classifies fund equity in the fund financial statements as either reserved or unreserved fund balance. Unreserved fund balance is further broken down between designated and undesignated.

**TOWN OF WHITMAN, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2003

Fund balance reserved for encumbrances and continued appropriations consists of the budgeted amounts carried over to the next fiscal year for operating costs committed at June 30. Encumbrances outstanding at year-end are reported as a reservation of fund balance and do not constitute expenditures or liabilities.

Fund balance designated for expenditure consists of available funds (free cash) and other available funds from unreserved fund equity appropriated by Town Meeting action to be used in funding next year's operations.

Deficit fund equity consists of the excess of expenditures over appropriations, in the General Fund. Bond Anticipation Note proceeds are not permanent funding and therefore do not represent a funding source for capital projects. Capital Project Fund deficits will occur and will be funded in future years through the issuance of long-term debt.

Pursuant to Section 228-331 of Chapter 138 of the Acts of 1991, Massachusetts General Law, Chapter 71, Section 40, the Town had authorized \$343,424 in teachers' 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. Revenues of \$34,342 were raised in fiscal year 2003 to continue payback of this deferral. On the fund basis balance sheet, the remaining teachers' salary deferral is classified as a deficit amount in the general fund unreserved undesignated fund balance.

At June 30, 2003, the Town had the following general fund equities in the fund financial statements:

Reserved for encumbrances and continued appropriations	\$ 1,286,746
Unreserved:	
Undesignated	329,953
Teacher salary deferral	(103,030)
Snow and ice deficit	<u>(95,579)</u>
Total unreserved	<u>131,344</u>
Total General Fund Equities	<u>\$ 1,418,090</u>

All other governmental fund balances are reported on the fund basis Balance Sheet as Unreserved Fund Balance, reported in their respective fund types.

**D. Restricted Net Assets**

Certain net assets reported as special revenue funds in the Town's fund basis Balance Sheet including the Town's Stabilization Fund and receipts reserved for appropriation from ambulance fees and insurance reimbursements are classified as unrestricted net assets because they are available for appropriation to fund the general operations of the Town.

Restricted net assets on the government-wide statement of net assets consist of the following:

**TOWN OF WHITMAN, MASSACHUSETTS**  
Notes to Financial Statements  
June 30, 2003

Capital Project Fund balances	\$ 35,977
Special Revenue Fund balances:	
Reserve for Debt Service	1,830,804
State Aid to Highways Construction Fund	22,650
MWPAT –Title VI Betterments	80,934
Other special revenue funds	3,254,023
Permanent Funds:	
Expendable	10,795
Non-expendable	<u>12,778</u>
 Total restricted net assets	 <u>\$5,247,961</u>

**Note 4. Cash 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. Cash deposits are reported at carrying amount, which reasonably approximates fair value.

At year-end, deposits per the banks totaled \$6,954,949 and had a carrying amount of \$6,601,806. Of the bank balance, \$ 730,864 was covered by depository insurance or collateralized and \$ 6,224,085 was uninsured and uncollateralized as allowed under the general laws of Massachusetts. The difference between bank deposits and carrying amount consists primarily of outstanding checks and deposits in transit.

The Town's investments at year-end are categorized below to give an indication of level of 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 are not categorized since the units of investment are not evidenced by securities that exist in physical or book entry form.

	<u>Category I</u>	<u>Uncategorized</u>	<u>Fair Value</u>
Common stock	\$ 41,658	\$	\$ 41,658
MMDT deposits		4,416,437	4,416,437
	<u>\$ 41,658</u>	<u>\$ 4,416,437</u>	<u>\$4,458,095</u>

**Note 5. Receivables**

The Town reports the aggregate amount of receivables in the accompanying Statement of Net Assets and Balance Sheet. In addition, governmental funds report, on the Balance Sheet, deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Unearned revenues are also reported on the Statement of Net Assets.

**TOWN OF WHITMAN, MASSACHUSETTS**  
Notes to Financial Statements  
June 30, 2003

The Town includes the following receivables for individual major and non-major governmental funds, internal service, and fiduciary funds in the aggregate, including applicable allowances for uncollectible amounts and amounts deferred and unearned, if any:

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>	<u>Deferred Revenue</u>
Real estate and personal property taxes	\$ 489,015	\$ 13,882	\$ 475,133	\$ 416,533
Tax liens, deferrals and foreclosures	536,129		536,129	536,129
Motor vehicle and boat excise	429,457	50,640	378,817	429,457
Charges for service, including betterments	456,476	49,094	407,382	456,476
Intergovernmental:				
Veterans assistance	18,892		18,892	18,892
Commonwealth highway awards	1,093,600		1,093,600	741,218
Other governmental receivables	<u>35,506</u>	<u>-</u>	<u>35,506</u>	<u>-</u>
Totals	<u>\$ 3,059,075</u>	<u>\$ 113,616</u>	<u>\$ 2,945,459</u>	<u>\$ 2,598,705</u>

Receivables for the Town's business-type activities consist of the following:

<u>Receivable type</u>	<u>Gross Amount</u>	<u>Allowance for Uncollectible</u>	<u>Net Amount</u>
Water rates and charges	\$ 320,450	\$ 85,000	\$ 235,450
Unbilled water charges	208,286		208,286
Sewer rates and charges	221,232	84,200	137,032
Unbilled sewer charges	153,804		153,804
Intergovernmental:			
MWPAT principal	3,051,035		3,051,035
MWPAT subsidy	<u>653,728</u>	<u>-</u>	<u>653,728</u>
Totals	<u>\$4,608,535</u>	<u>\$ 169,200</u>	<u>\$4,439,335</u>

**Note 6. Capital Assets**

Capital assets and infrastructure for the Town's governmental activities have not been recorded and accordingly, depreciation expense on those assets has not been recorded. The Town has recorded capital assets, infrastructure and depreciation for the business-type activities. However, an independent valuation of these same assets reported values materially different from the amounts reported on the financial statements and this difference has not been reconciled. The Town plans to properly record capital assets and fully implement the requirements of GASB 34 in future years. Due to not reporting governmental capital assets and the unreconciled difference in fixed assets for the business-type activities, the Town has elected to not display a table showing the change in capital assets and accumulated depreciation for the year.

**Note 7. Interfund balances and activity**

There are no amounts due to or from governmental funds.

Interfund transfers, for the fiscal year ended June 30, 2003, consisted of the following:

**TOWN OF WHITMAN, MASSACHUSETTS**  
**Notes to Financial Statements**  
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	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Debt Appropriation Fund</u>	<u>Sewer Fund</u>
Amounts transferred from Receipts Reserved for Appropriation and Revolving Funds to fund FY 2003 operating budget	\$ 1,197,358	\$ (492,547)	\$ (704,811)	\$ -
Appropriations to Stabilization Fund	(693,310)	693,310		
Appropriations from General Fund to Debt appropriation fund	(1,807,870)		1,807,870	
Transfer to waterways improvement fund	(384)	384		
Amounts transferred from General Fund to fund Sewer Fund debt service.	<u>(943,058)</u>	<u>-</u>	<u>-</u>	<u>943,058</u>
Totals on governmental fund basis	<u>(2,247,264)</u>	<u>201,147</u>	<u>1,103,059</u>	<u>943,058</u>
Amounts transferred from Sewer Fund to fund indirect costs appropriated in general fund	<u>274,380</u>	<u>-</u>	<u>-</u>	<u>(274,380)</u>
Totals on budgetary basis	<u><u>\$ (1,972,884)</u></u>	<u><u>\$ 201,147</u></u>	<u><u>\$ 1,103,059</u></u>	<u><u>\$ 668,678</u></u>

**Note 8. Long-term obligations**

The following is a summary of changes in long-term obligations for the year ended June 30, 2003:

<u>Purpose</u>	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance June 30, 2003</u>	<u>Current Portion</u>
<b>Governmental activities:</b>					
General Obligation Bonds, 3.75-4.00%, dtd. 12/15/2001, due 12/15/2019	\$3,370,810	\$ -	\$( 210,810)	\$ 3,160,000	\$ 200,000
General Obligation Bonds, 3.75-4.00%, dtd. 12/15/2001, due 12/15/2005	19,190		(4,190)	15,000	5,000
Massachusetts Water Pollution Abatement Trust, subsidized septic bonds, dtd. 8/1/2001 due 8/1/2019	<u>69,354</u>	-	<u>(3,858)</u>	<u>65,496</u>	<u>3,858</u>
Total governmental bonds payable	<u>3,459,354</u>		<u>(218,858)</u>	<u>3,240,496</u>	<u>208,858</u>
<b>Capital Leases:</b>					
Office Equipment	5,274		(5,274)	-	
Police and fire vehicles	<u>89,804</u>	<u>33,000</u>	<u>(89,804)</u>	<u>33,000</u>	<u>11,000</u>
Total governmental capital leases	<u>95,078</u>	<u>33,000</u>	<u>(95,078)</u>	<u>33,000</u>	<u>11,000</u>
Total governmental activities noncurrent liabilities	<u><u>\$3,554,432</u></u>	<u><u>\$ 33,000</u></u>	<u><u>\$ 313,936</u></u>	<u><u>\$ 3,273,496</u></u>	<u><u>\$ 219,858</u></u>

**TOWN OF WHITMAN, MASSACHUSETTS**  
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June 30, 2003

<u>Purpose</u>	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance June 30, 2003</u>	<u>Current Portion</u>
<b>Business-type activities:</b>					
Water bonds, 3.75 – 5.05%, dtd. 12/15/2001, due 12/15/2019	\$ 745,000	\$ -	\$ (40,000)	\$ 705,000	\$ 40,000
MWPAT DW bonds, subsidized, dtd. 2/1/2001, due 8/1/2020	1,967,783		(77,455)	1,890,328	79,659
MWPAT DW bonds, subsidized dtd. 11/26/2002, due 8/1/2022		5,358,502		5,358,502	203,755
Sewer bonds (Phase II), 6.20 – 7.00%, dtd. 12/1/1992, due 1/15/2013	2,750,000		(2,750,000)		
Sewer refunding bonds, 4.50 – 5.70%, dtd. 4/1/1993, due 5/15/2008	2,535,000		(545,000)	1,990,000	535,000
Sewer refunding bonds, 3.25 – 4.00% dtd. 11/1/2002, due 1/15/2013	-	2,580,000	-	2,580,000	275,000
Total business-type activities noncurrent liabilities	<u>\$ 7,997,783</u>	<u>\$ 7,938,502</u>	<u>\$ (3,412,455)</u>	<u>\$ 12,523,830</u>	<u>\$ 1,133,414</u>

Long-term debt

The outstanding Massachusetts Water Pollution Abatement Trust (MWPAT) bonds above are recorded at the gross amount outstanding, as the Town is obligated to repay the full amount outstanding including interest. As of June 30, 2003, the Town is due approximately \$3,051,035 of principal on the above MWPAT obligations. In addition, it is anticipated that approximately \$653,728 of the debt service payments will be subsidized by the Commonwealth of Massachusetts via contract payments to MWPAT (and MWPAT available earnings). These amounts have been reflected as receivables in the accompanying entity-wide statements. The gross payments are recorded as revenue and expenses in the accompanying entity-wide financial statements, however, these payments are not included in the budgetary basis supplementary information because it is not part of the local budget.

The annual requirements to amortize all general obligation bonds and loans outstanding as of June 30, 2003, including interest, are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 208,858	\$ 137,395	\$ 346,253	\$ 1,133,414	\$ 585,073	\$ 1,718,487
2005	208,858	137,395	346,253	1,138,358	517,931	1,656,289
2006	208,858	121,426	330,284	1,028,437	469,510	1,497,947
2007	198,858	113,238	312,096	870,995	423,299	1,294,294
2008	198,858	105,236	304,094	871,266	383,361	1,254,627
2009 – 2013	964,368	338,274	1,302,642	3,106,361	1,464,476	4,570,837
2014 – 2018	919,210	193,023	1,112,233	2,210,000	840,733	3,050,733
2019 – 2023	332,628	16,415	349,043	2,165,000	250,916	2,415,916
Totals	<u>\$3,240,496</u>	<u>\$1,162,402</u>	<u>\$4,402,898</u>	<u>\$12,523,831</u>	<u>\$4,935,299</u>	<u>\$17,459,130</u>

The Town has established debt reserve funds for the renovations- Town Hall, Fire Station, Library project and School and High School projects. As of June 30, 2003, these reserves have a balance of \$147,684, \$145,120 and \$1,538,000, respectively. These funds are accounted for in special revenue funds and have been classified as a major fund in the Town's fund basis financial statements

Unissued debt authorizations consist of the following at June 30, 2003:

**TOWN OF WHITMAN, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2003

<u>Purpose</u>	<u>Year(s)</u> <u>Authorized</u>	<u>Amount</u>
Sewer	1984	\$580,000
Library	1998	4,860
Water Plans	1999	<u>145,000</u>
Total authorized and unissued		<u>\$729,860</u>

The Town has authorized debt for the Whitman-Hanson Regional School District (District) for the renovation and construction of school buildings. The Town pays assessments, which include debt service payments to the District, (commonly referred to as overlapping debt.), according to the District agreement. The Town is indirectly liable, through its assessments to the District, for this debt. However, the debt is not considered against the Town's debt limits or reported on the Towns Statement of Net Assets.

Lease obligations

*A. Operating leases*

The Town has entered into a number of operating leases to support governmental activities, some of which are non-cancelable but otherwise are subject to annual appropriation. The annual minimum required lease payment for non-cancelable operating leases are immaterial as of June 30, 2003

*B. Capital leases*

In accordance with Massachusetts General Laws, the Town may enter into lease agreements for a period not to exceed five years and subject to annual appropriation. The annual requirement to pay down capital lease obligations outstanding as of June 30, 2003, including interest is as follows:

<u>Year ended</u>	<u>Lease payment</u>
2004	\$ 11,000
2005	11,000
2006	<u>11,000</u>
Total governmental	<u>\$ 33,000</u>

Note 9. Temporary borrowings

Under state law and by authorization of the Board of Selectmen, the Town is authorized to borrow on a temporary (short-term) basis to fund the following:

- Current operating costs prior to the collection of revenues through issuance of tax anticipation notes (TANs),
- Capital project costs incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANs),
- Federal and state aided capital projects and other program expenditures prior to receiving reimbursement through issuance of federal and state aid anticipation notes (FANs and SANs).

Temporary loans are general obligations of the Town and carry maturity dates that are limited by statute. Interest expenditures for temporary borrowings are accounted for in the General Fund. Temporary borrowings are recorded as liabilities in the Capital Project Funds.

As of June 30, 2003, the Town had no temporary loans outstanding.

# TOWN OF WHITMAN, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2003

### Note 10. Employee Benefits

#### A. Retirement Benefits

##### Plan Description

The Town of Whitman, Massachusetts 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 an annual report that is available to the public and may be obtained by contacting the 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 Town's current year contribution is \$672,722, representing approximately 3.25% 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 Association for the years ending June 30, 2002 and 2001 were \$653,316 and \$605,274 respectively, which were equal to the required contributions for each year.

The Commonwealth of Massachusetts contributed on behalf payments for the Town to the Commonwealth of Massachusetts Teacher's Retirement System (MTRS). 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 \$725,833 of pension benefits paid by the Commonwealth of Massachusetts on behalf of the Town. This amount is included in intergovernmental state revenue and general expenditures of the general fund.

#### B. Compensated Absences

Employees earn vacation and sick leave as they provide services. The cost of vacation and sick leave benefits is recorded as an expenditure of the applicable fund when incurred. Vacation and sick pay accumulates for various groups of employees based upon personnel by-laws and their respective collective bargaining agreements. The cost of vacation and sick leave benefits is recorded when incurred as an expenditure. There are a small number of employees who have the ability to buy-back limited sick leave. As a result, the liability for compensated absences is immaterial and no liability has been recorded in the accompanying Statement of Net Assets for either governmental or business-type activities.

#### C. Other Post Employment Benefits

In addition to the pension benefits described above, the Town provides postretirement healthcare and life insurance benefits to all employees who retire from the Town and their dependents. The Town contributes 75% of the premium (except for certain supplemental coverage up to a cap of \$7,000 annually for approximately 128 retirees. The cost of retirees' healthcare and life insurance benefits is recognized as an expenditure as premiums are paid. For 2003, those costs totaled \$400,739.

**TOWN OF WHITMAN, MASSACHUSETTS**  
Notes to Financial Statements  
June 30, 2003

**Note 11. 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.

**Note 12. Commitments and Contingencies**

The Town is named as a defendant in several lawsuits at June 30, 2003. In the opinion of Town management, the ultimate resolution of these legal actions will not result in a material loss to the Town.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

**Note 13. Implementation of New GASB Pronouncements**

During fiscal year 2003 the Town implemented the following GASB pronouncements:

- Statement # 34 – *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*
- Statement # 37 – *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments: omnibus*
- Statement # 38 – *Certain Financial Statement Note Disclosures*

The pronouncements identified above are all related to new financial reporting requirements as defined in Statement # 34. Fiscal 2003 is the required implementation date. The changes in financial reporting are documented in Note 2 and result in several prior year adjustments. The cumulative effect of prior year adjustments to the beginning of year fund balances is as follows:

**Fund financial statements:**

	General Fund	Special Revenue Funds	Capital Projects Funds	Trust Funds	Major Govt. Fund	Non-Major Govt. Funds	Fiduciary Funds
Fund balances June 30, 2002	\$ 2,720,205	\$ 1,058,103	\$ 84,327	\$ 1,831,162	\$	\$	\$
To reclassify funds to new reporting model		(1,058,103)	(84,327)	(1,831,162)		2,717,120	256,189
Prior period adjustment to reclassify police detail deficit balances to a receivable not fund balance							15,140
Market value adjustments to fiduciary investments							14,796
Prior period adjustment to reclassify debt service funds out of general fund	(583,093)	-	-	-	583,093	-	-
Fund balances as reclassified as of July 1, 2002	<u>\$ 2,137,112</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 583,093</u>	<u>\$ 2,717,120</u>	<u>\$ 286,125</u>

TOWN OF WHITMAN, MASSACHUSETTS

Notes to Financial Statements

June 30, 2003

**Business-type activities:**

	<u>Sewer Operation</u>	<u>Water Operation</u>	<u>Enterprise Funds</u>
Fund balance as reported June 30, 2002	\$ -	\$ -	\$ 30,080,079
Reclassification to net assets	26,744,251	3,335,828	(30,080,079)
Prior period adjustment to record accrued interest	(92,634)	(1,321)	
Prior period adjustment to record subsidies receivable	<u>-</u>	<u>528,312</u>	<u>-</u>
Net assets as restated as of July 1, 2002	<u>\$ 26,651,617</u>	<u>\$3,862,819</u>	<u>\$ -</u>

**Government-wide financial statements:**

Reclassified fund balances of non-major governmental funds at June 30, 2002	\$ 2,717,120
General fund balance at June 30, 2002 (adjusted)	2,137,112
Major fund balance at June 30, 2002	583,092
Adjustment to record revenue on full-accrual basis	2,819,183
Bonds and leases payable at June 30, 2002	(3,587,432)
Accrued interest, net of related subsidies at June 30, 2002	<u>( 7,358)</u>
Governmental net assets at July 1, 2002	<u>\$ 4,661,717</u>