

**TOWN OF WHITMAN, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDING JUNE 30, 2004**

TOWN OF WHITMAN, MASSACHUSETTS
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2004

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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, 2004, 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 of Whitman, Massachusetts' 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 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Whitman, Massachusetts, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2005, except for capital assets, which are dated October 28, 2005 on our consideration of the Town of Whitman, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management Discussion and Analysis, (MD&A), not a required part of the basic financial statements, but supplementary information required by accounting principles generally accepted in the United States of America, has not been presented by the Town.

Thevenin, Lynch, Bienvenue LLP

September 2, 2005, except for capital assets,
which are dated October 28, 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, 2004, which collectively comprise the Town of Whitman, Massachusetts' basic financial statements and have issued our report thereon dated September 2, 2005, except for capital assets, which are dated October 28, 2005. 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.

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 September 2, 2005, except for capital assets which are dated October 28, 2005.

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
September 2, 2005, except for capital assets,
which are dated October 28, 2005.

BASIC FINANCIAL STATEMENTS

TOWN OF WHITMAN, MASSACHUSETTS

Statement of Net Assets

June 30, 2004

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 6,129,365	\$ 2,444,515	\$ 8,573,880
Investments	2,171,280	2,035,012	4,206,292
Receivables, net of allowance for uncollectibles	2,798,568	3,084,945	5,883,513
Deferred bond costs		334,915	334,915
Capital assets, net of accumulated depreciation	27,262,549	36,524,598	63,787,147
Total assets	<u>\$ 38,361,762</u>	<u>\$ 44,423,985</u>	<u>\$ 82,785,747</u>
<u>LIABILITIES</u>			
Accounts payable, accrued payroll and other current liabilities	\$ 403,158	\$ 395,481	\$ 798,639
Interfund balances	(14,650)	14,650	-
Escrow deposits		19,618	19,618
Accrued interest payable	6,575	47,028	53,603
Provision for refund of paid taxes	158,061		158,061
Noncurrent liabilities			
Due within one year	347,059	1,138,358	1,485,417
Due in more than one year	3,162,102	10,252,058	13,414,160
Total liabilities	4,062,305	11,867,193	15,929,498
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	23,753,388	25,134,182	48,887,570
Restricted	7,304,246		7,304,246
Unrestricted	3,241,823	7,422,610	10,664,433
Total net assets	<u>34,299,457</u>	<u>32,556,792</u>	<u>66,856,249</u>
Total liabilities and net assets	<u>\$ 38,361,762</u>	<u>\$ 44,423,985</u>	<u>\$ 82,785,747</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, 2004

Functions/Programs Primary government	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Operating		Governmental Activities	Primary Government Business-type Activities		Total
		Charges for Services	Grants and Contributions		Capital Grants and Contributions		
Governmental activities							
General government	\$ 3,802,605	\$ 395,686	\$ 711,783	\$ (2,695,136)	\$ -	\$ (2,695,136)	
Public safety	4,173,922	730,375	148,504	(3,295,043)	-	(3,295,043)	
Education	8,773,277	-	60,189	(8,713,088)	-	(8,713,088)	
Public works	2,892,218	832,151	45,242	(1,848,873)	-	(1,848,873)	
Health and human services	352,658	40,593	43,776	(268,289)	-	(268,289)	
Culture and recreation	680,382	29,447	131,509	(519,426)	-	(519,426)	
Interest on long-term debt	134,177	-	-	(134,177)	-	(134,177)	
State and county charges	112,474	-	-	(112,474)	-	(112,474)	
Total governmental activities	20,921,713	2,028,252	1,141,003	(17,586,506)	-	(17,586,506)	
Business-type activities							
Water	1,743,592	1,551,718	333,274	-	141,400	141,400	
Sewer	1,751,992	1,078,122	43,855	-	(630,015)	(630,015)	
Total business-type activities	3,495,584	2,629,840	377,129	-	(488,615)	(488,615)	
Total primary government	\$ 24,417,297	\$ 4,658,092	\$ 1,518,132	(17,586,506)	(488,615)	(18,075,121)	
General revenues							
Property taxes and payments in lieu, net of allowance for uncollectibles				15,759,777		15,759,777	
Excise taxes				1,513,223		1,513,223	
Penalties and interest on taxes				100,925		100,925	
Intergovernmental				1,982,908		1,982,908	
Investment income				71,564		71,564	
Departmental receipts and miscellaneous				311,721		311,721	
Transfers, net				(1,009,315)	1,009,315	-	
Total general revenues, special items and transfers				18,730,803	1,009,315	19,740,118	
Change in net assets				1,144,297	520,700	1,664,997	
Net assets - beginning of year, restated (Note 13)				33,155,160	32,036,092	65,191,252	
Net assets - end of year				\$ 34,299,457	\$ 32,556,792	\$ 66,856,249	

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

TOWN OF WHITMAN, MASSACHUSETTS

Balance Sheet - Governmental Funds

June 30, 2004

	<u>General Fund</u>	<u>Debt Appropriation Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 931,222	\$ 3,574,442	\$ 1,623,701	\$ 6,129,365
Investments	86,640		2,084,640	2,171,280
Receivables	2,902,563		41,262	2,943,825
Due from other funds	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
 Total assets	 <u>\$ 3,935,425</u>	 <u>\$ 3,574,442</u>	 <u>\$ 3,749,603</u>	 <u>\$ 11,259,470</u>
<u>LIABILITIES</u>				
Accounts payable and other current liabilities	\$ 383,359	\$ -	\$ 19,800	\$ 403,158
Provision for refund of paid taxes	158,061			158,061
Deferred revenue	2,422,964		41,262	2,464,226
Due to other funds	<u>350</u>	<u>-</u>	<u>-</u>	<u>350</u>
 Total liabilities	 <u>2,964,734</u>	 <u>-</u>	 <u>61,062</u>	 <u>3,025,796</u>
<u>FUND BALANCES</u>				
Reserved for				
Encumbrances and continued appropriations	505,855			505,855
Unreserved				
General Fund	464,836			464,836
Special revenue funds		3,574,442	3,644,243	7,218,685
Capital projects funds			20,414	20,414
Permanent fund	<u>-</u>	<u>-</u>	<u>23,884</u>	<u>23,884</u>
 Total fund balances	 <u>970,691</u>	 <u>3,574,442</u>	 <u>3,688,541</u>	 <u>8,233,674</u>
 Total liabilities and fund balances	 <u>\$ 3,935,425</u>	 <u>\$ 3,574,442</u>	 <u>\$ 3,749,603</u>	 <u>\$ 11,259,470</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances of governmental funds	\$ 8,233,674
Capital assets used in governmental activities are not financial resources and not reported in funds.	
Capital assets are recorded at cost basis of \$47,826,806, net of accumulated depreciation of \$20,564,257	27,262,549
Accounts receivable are not available to pay for current-period expenditures and are deferred in funds, net of uncollectibles	2,318,970
Long-term liabilities are not due and payable in the current period and are not included in funds.	(3,509,161)
Reporting of liabilities on full accrual basis requires associated interest, net of subsidies, be accrued.	<u>(6,575)</u>
 Net assets of governmental activities	 <u>\$ 34,299,457</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, 2004

	<u>General Fund</u>	<u>Debt Appropriation Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 15,753,787	\$ -	\$ -	\$ 15,753,787
Excise taxes	1,538,516			1,538,516
Licenses and permits	237,684		33,027	270,711
Penalties and interest	100,925			100,925
Investment income	71,564		20,997	92,561
Charges for services	841,121		413,021	1,254,142
Fines and fees	142,980		132,007	274,987
Contributions and donations			113,077	113,077
Departmental and other	96,155		397,606	493,761
Intergovernmental	<u>3,268,465</u>	<u>-</u>	<u>80,510</u>	<u>3,348,975</u>
Total revenues	22,051,197	-	1,190,245	23,241,442
Expenditures				
Current				
General government	3,769,791		75,095	3,844,886
Public safety	4,174,337		103,943	4,278,280
Education	8,773,277			8,773,277
Public works	2,288,060		33,325	2,321,385
Human services	333,656		28,557	362,213
Culture and recreation	377,868		238,003	615,871
State and county assessments	112,474			112,474
Debt service	<u>343,424</u>	<u>-</u>	<u>-</u>	<u>343,424</u>
Total expenditures	<u>20,172,887</u>	<u>-</u>	<u>478,923</u>	<u>20,651,810</u>
Revenues over expenditures	1,878,310	-	711,322	2,589,632
Other financing sources (uses)				
Transfers in from other funds	708,712	1,910,375	199,731	2,818,818
Transfers out to other funds	<u>(3,034,421)</u>	<u>(166,737)</u>	<u>(626,975)</u>	<u>(3,828,133)</u>
Total other financing sources (uses)	<u>(2,325,709)</u>	<u>1,743,638</u>	<u>(427,244)</u>	<u>(1,009,315)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(447,399)	1,743,638	284,078	1,580,317
Fund balance, beginning of year - restated (Note 13)	<u>1,418,090</u>	<u>1,830,804</u>	<u>3,404,463</u>	<u>6,653,357</u>
Fund balance, end of year	<u>\$ 970,691</u>	<u>\$ 3,574,442</u>	<u>\$ 3,688,541</u>	<u>\$ 8,233,674</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 expenditures and other financing uses	\$ 1,580,317
<p>Governmental funds report capital outlays as expenditures, however, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the Statement of Activities.</p>	
Capital outlays during the fiscal year	1,307,264
Depreciation recorded for the fiscal year	(1,341,891)
<p>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.</p>	
Net change in deferred revenue	(166,117)
<p>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.</p>	
Principal payments on long-term debt	208,858
<p>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.</p>	
Net change in accrued interest expense	389
<p>Certain liabilities are not funded through the use of current financial resources and, therefore, are not reported in the fund financial statements, however, these liabilities are reported in the government-wide financial statements. The net change in these liabilities is reflected as an expense in the Statement of Activities. Changes in liabilities are as follows:</p>	
Capital leases	(444,523)
Change in net assets of governmental activities	\$ 1,144,297

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

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, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Property taxes	\$ 15,014,760	\$ 15,700,389	\$15,729,910	\$ 29,521
Excise taxes	1,498,760	1,498,760	1,538,516	39,756
Licenses, fines, fees	221,000	221,000	237,684	16,684
Penalties and interest	91,500	91,500	100,925	9,425
Investment interest	77,000	77,000	71,564	(5,436)
Charges for services	909,200	909,200	841,121	(68,079)
Departmental and other	111,650	111,650	239,135	127,485
Intergovernmental	<u>2,134,701</u>	<u>2,177,615</u>	<u>2,192,296</u>	<u>14,681</u>
Total revenues	20,058,571	20,787,114	20,951,151	164,037
Expenditures				
General government	3,552,981	3,466,651	3,357,364	109,287
Public safety	4,185,106	4,307,195	4,170,110	137,085
Education	8,304,055	8,781,318	8,773,277	8,041
Public works	1,772,508	1,789,832	1,906,931	(117,099)
Human services	358,167	357,992	333,656	24,336
Culture and recreation	409,375	389,395	377,868	11,527
State and county assessments	104,184	104,184	112,474	(8,290)
Debt service	<u>400,005</u>	<u>367,924</u>	<u>343,424</u>	<u>24,500</u>
Total expenditures	19,086,380	19,564,491	19,375,104	189,387
Revenues over expenditures	972,191	1,222,623	1,576,047	353,424
Other financing sources (uses)				
Transfers in from other funds	969,092	984,092	991,324	7,232
Transfers out to other funds	<u>(2,834,341)</u>	<u>(3,037,328)</u>	<u>(3,038,648)</u>	<u>(1,320)</u>
Total other financing sources (uses)	<u>(1,865,249)</u>	<u>(2,053,236)</u>	<u>(2,047,324)</u>	<u>5,912</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(893,058)	(830,613)	(471,277)	<u>\$ 359,336</u>
Fund balance, beginning of year			<u>1,834,625</u>	
Fund balance, end of year			<u>\$ 1,363,348</u>	
Other budget items				
Free cash appropriations		443,409		
Teacher salary deferral	(34,342)	(34,342)		
Other deficits to be raised	(95,579)	(95,579)		
Carryover encumbrances	<u>1,022,980</u>	<u>517,125</u>		
Total other budget items	<u>893,059</u>	<u>830,613</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, 2004

	Business-Type Activities		
	Water Enterprise	Sewer Enterprise	Totals
ASSETS			
Cash and cash equivalents	\$ 768,244	\$ 1,676,271	\$ 2,444,515
Investments	381,476	1,653,536	2,035,012
Receivables, net of allowance for uncollectibles	2,760,903	324,042	3,084,945
Deferred bond costs		334,915	334,915
Capital assets, net of accumulated depreciation	9,634,195	26,890,403	36,524,598
Total assets	\$ 13,544,818	\$ 30,879,167	\$ 44,423,985
LIABILITIES			
Accounts payable, accrued payroll and other current liabilities	\$ 143,331	\$ 252,150	\$ 395,481
Interfund balances	(270)	14,920	14,650
Escrow deposits		19,618	19,618
Accrued interest payable	1,196	45,832	47,028
Noncurrent liabilities			
Due within one year	328,358	810,000	1,138,358
Due in more than one year	7,302,058	2,950,000	10,252,058
Total liabilities	7,774,673	4,092,520	11,867,193
NET ASSETS			
Invested in capital assets, net of related debt	2,003,779	23,130,403	25,134,182
Unrestricted	3,766,366	3,656,244	7,422,610
Total net assets	5,770,145	26,786,647	32,556,792
Total liabilities and net assets	\$ 13,544,818	\$ 30,879,167	\$ 44,423,985

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, 2004

	Business-Type Activities		
	<u>Water</u> <u>Enterprise</u>	<u>Sewer</u> <u>Enterprise</u>	<u>Totals</u>
Operating revenues			
Charges for service	\$ 1,275,456	\$ 928,832	\$ 2,204,288
Departmental and other	<u>402,945</u>	<u>149,290</u>	<u>552,235</u>
Total operating revenues	1,678,401	1,078,122	2,756,523
Operating expenses			
Operations	1,337,745	821,741	2,159,486
Depreciation	75,308	724,544	799,852
Amortization of refunding costs	<u>-</u>	<u>8,000</u>	<u>8,000</u>
Total operating expenses	1,413,053	1,554,285	2,967,338
Operating income (loss)	265,348	(476,163)	(210,815)
Non operating revenues (expenses)			
Intergovernmental	194,357	12,754	207,111
Investment income	12,234	31,101	43,335
Interest expense	<u>(330,539)</u>	<u>(197,707)</u>	<u>(528,246)</u>
Total non operating revenue (expenses), net	<u>(123,948)</u>	<u>(153,852)</u>	<u>(277,800)</u>
Income (loss) before transfers	141,400	(630,015)	(488,615)
Transfers			
Transfers in	250	1,024,065	1,024,315
Transfers out	<u>-</u>	<u>(15,000)</u>	<u>(15,000)</u>
Total transfers	<u>250</u>	<u>1,009,065</u>	<u>1,009,315</u>
Change in net assets	141,650	379,050	520,700
Net assets at beginning of year, restated (Note 13)	<u>5,628,495</u>	<u>26,407,597</u>	<u>32,036,092</u>
Net assets at end of year	<u>\$ 5,770,145</u>	<u>\$ 26,786,647</u>	<u>\$ 32,556,792</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, 2004

	<u>Business-Type Activities</u>		
	<u>Water Enterprise</u>	<u>Sewer Enterprise</u>	<u>Total Enterprise</u>
Cash flows from operating activities			
Receipts from customers, users and other departmental	\$ 1,627,205	\$ 1,057,667	\$ 2,684,872
Payments to vendors and employees and fringe benefits	<u>(1,291,158)</u>	<u>(347,273)</u>	<u>(1,638,431)</u>
Net cash provided by operating activities	336,047	710,394	1,046,441
Cash flows from noncapital financing activities			
Net transfer from other funds	<u>86,522</u>	<u>794,883</u>	<u>881,405</u>
Net cash provided by noncapital financing activities	86,522	794,883	881,405
Cash flows from capital and related financing activities			
Proceeds from capital debt, net of subsidies	1,151,266		1,151,266
Acquisition and construction of capital assets	(1,374,575)		(1,374,575)
Principal payments on bonds and notes	(40,000)	(810,000)	(850,000)
Interest expense	<u>(132,152)</u>	<u>(213,965)</u>	<u>(346,117)</u>
Net cash used by capital and related financing activities	(395,461)	(1,023,965)	(1,419,426)
Cash flows from investing activities			
Investment income	<u>12,234</u>	<u>31,101</u>	<u>43,335</u>
Net cash provided by investing activities	12,234	31,101	43,335
Net change in cash and cash equivalents	39,342	512,413	551,755
Cash and cash equivalents at beginning of year	<u>1,110,378</u>	<u>2,817,394</u>	<u>3,927,772</u>
Cash and cash equivalents at end of year	<u>\$ 1,149,720</u>	<u>\$ 3,329,807</u>	<u>\$ 4,479,527</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ 265,348	\$ (476,163)	\$ (210,815)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Cash flows reported in other categories:			
Depreciation and amortization	75,308	732,544	807,852
Intergovernmental revenue		12,754	12,754
Interfund transfers	(86,272)	214,431	128,159
Changes in assets and liabilities:			
Receivables, net	(51,196)	(33,206)	(84,402)
Warrants payable	<u>132,859</u>	<u>260,034</u>	<u>392,893</u>
Total adjustments	<u>70,699</u>	<u>1,186,557</u>	<u>1,257,256</u>
Net cash provided by operating activities	<u>\$ 336,047</u>	<u>\$ 710,394</u>	<u>\$ 1,046,441</u>

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

TOWN OF WHITMAN, MASSACHUSETTS

Statement of Net Assets - Fiduciary Funds

June 30, 2004

	<u>Private Purpose Trust Funds</u>	<u>Agency Accounts</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 133,163	\$ 2,688
Investments	147,800	
Receivables, net of allowance for uncollectibles	<u>-</u>	<u>12,058</u>
 Total assets	 <u>\$ 280,963</u>	 <u>\$ 14,746</u>
<u>LIABILITIES</u>		
Accounts payable and other current liabilities	\$ -	\$ 1,906
Amounts held in escrow	<u>-</u>	<u>12,840</u>
 Total liabilities		 14,746
<u>NET ASSETS</u>		
Held in trust	<u>280,963</u>	<u>-</u>
 Total liabilities and net assets	 <u>\$ 280,963</u>	 <u>\$ 14,746</u>

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, 2004

	Private Purpose Trust Funds
Additions	
Interest and dividends	\$ 2,670
Donations	1,287
Net increase in market value of investments	<u>5,597</u>
 Total additions	 9,554
Deductions	
Scholarships and awards	5,639
Donations	<u>2,450</u>
 Total deductions	 <u>8,089</u>
 Change in net assets	 1,465
Net assets at beginning of year	<u>279,498</u>
Net assets at end of year	<u>\$ 280,963</u>

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

NOTES TO FINANCIAL STATEMENTS

TOWN OF WHITMAN, MASSACHUSETTS

Notes to Financial Statements

June 30, 2004

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. 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 2004 Assessment</u>
Whitman-Hanson Regional School District 600 Franklin Street Whitman, MA 02382	To provide education to students grades Pre K-12.	\$7,382,301
South Shore Regional School District 476 Webster Street Hanover, MA 02339-1215	To provide vocational education to students grades 9-12.	\$1,136,565

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 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 are discussed below.

TOWN OF WHITMAN, MASSACHUSETTS

Notes to Financial Statements

June 30, 2004

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.

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.

TOWN OF WHITMAN, MASSACHUSETTS

Notes to Financial Statements

June 30, 2004

- 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:

- 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.

TOWN OF WHITMAN, MASSACHUSETTS

Notes to Financial Statements

June 30, 2004

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, 2004, 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.

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 and deposits in the Massachusetts Municipal Depository Trust (which are classified as investments in the Statement of Net Assets).

TOWN OF WHITMAN, MASSACHUSETTS

Notes to Financial Statements

June 30, 2004

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.

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 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

Government-wide Statements

In the government-wide statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

Prior to July 1, 2002, governmental funds' infrastructure assets were not capitalized. These assets (back to July 1, 1980) have been valued at estimated historical cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

➤ Buildings and improvements	10-40 years
➤ Infrastructure	10-50 years
➤ Machinery and equipment	5-20 years
➤ Vehicles, library and textbooks	5-10 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

TOWN OF WHITMAN, MASSACHUSETTS

Notes to Financial Statements

June 30, 2004

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:

- 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.

TOWN OF WHITMAN, MASSACHUSETTS

Notes to Financial Statements

June 30, 2004

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.

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.

TOWN OF WHITMAN, MASSACHUSETTS

Notes to Financial Statements

June 30, 2004

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, 2004, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
As reported on a budgetary basis	\$20,951,151	\$ 19,375,104	\$(2,047,324)
Adjustment of property tax revenues to modified accrual basis	23,878		
State funded teacher's pension	695,040	695,040	
Accrued state highway aid	381,128	381,128	
Transfer to agency fund recorded as an operating transfer on budgetary basis		4,227	4,227
Indirect costs of other funds recorded as operating transfers on budgetary basis, net of interfund charges	-	(282,612)	(282,612)
As reported on a GAAP basis	<u>\$22,051,197</u>	<u>\$ 20,172,887</u>	<u>\$(2,325,709)</u>

C. Fund equities

Operations of the various Town funds for the year 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.

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 2004 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.

TOWN OF WHITMAN, MASSACHUSETTS

Notes to Financial Statements

June 30, 2004

At June 30, 2004, the Town had the following general fund equities in the fund financial statements:

Reserved for encumbrances and continued appropriations	\$ 505,855
Unreserved:	
Undesignated	580,089
Teacher salary deferral	(68,688)
Snow and ice deficit	<u>(46,565)</u>
Total unreserved	<u>464,836</u>
Total General Fund Equities	<u>\$ 970,691</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:

Capital Project Fund balances	\$ 20,414
Special Revenue Fund balances:	
Reserve for Debt Service	3,574,442
State Aid to Highways Construction Fund	22,896
MWPAT -Title V Betterments	86,128
Other special revenue funds	<u>3,576,482</u>
Permanent Funds:	
Expendable	11,106
Non-expendable	<u>12,778</u>
Total restricted net assets	<u>\$7,304,246</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.

TOWN OF WHITMAN, MASSACHUSETTS

Notes to Financial Statements

June 30, 2004

At year-end, deposits per the banks totaled \$8,905,032 and had a carrying amount of \$8,709,731. Of the bank balance, \$ 865,803 was covered by depository insurance or collateralized and \$8,039,230, 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	\$ 47,255	\$	\$ 47,255
MMDT deposits		4,306,837	4,306,837
	<u>\$ 47,255</u>	<u>\$ 4,306,837</u>	<u>\$4,354,092</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.

The Town includes the following receivables for individual major and non-major governmental 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	\$ 486,838	\$ 18,789	\$ 468,049	\$ 392,656
Tax liens, deferrals and foreclosures	570,904		570,904	570,904
Motor vehicle and boat excise	400,028	46,504	353,524	400,028
Charges for service, including betterments	564,361	79,964	484,397	564,361
Intergovernmental:				
Veterans assistance	10,235		10,235	10,235
Commonwealth highway awards	907,170		907,170	526,042
Other governmental receivables	4,289	-	4,289	-
Totals	<u>\$2,943,825</u>	<u>\$ 145,255</u>	<u>\$2,798,568</u>	<u>\$2,464,226</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	\$ 344,196	\$ 85,000	\$ 259,196
Unbilled water charges	235,716		235,716
Sewer rates and charges	245,126	84,200	160,926
Unbilled sewer charges	163,116		163,116
Intergovernmental:			
MWPAT principal	334,556		334,556
MWPAT subsidy	1,931,435	-	1,931,435
Totals	<u>\$3,254,145</u>	<u>\$ 169,200</u>	<u>\$3,084,945</u>

TOWN OF WHITMAN, MASSACHUSETTS

Notes to Financial Statements

June 30, 2004

Note 6. Capital Assets

Capital assets activity for the Town's governmental and business-type activities as of June 30, 2004 is as follows.

Governmental activities

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated				
Land and land improvements	\$ 1,741,970	\$ 12,518	\$ -	\$ 1,754,488
Works of art and historical treasures	110,510	4,415	-	114,925
Construction in progress	<u>3,361,679</u>	<u>63,914</u>	<u>-</u>	<u>3,425,593</u>
Sub-total	5,214,159	80,847	-	5,295,006
Capital assets being depreciated				
Buildings and related improvements	5,115,996	126,750	-	5,242,746
Easements	32,219,524	380,987	-	32,600,511
Machinery and equipment	2,167,972	-	-	2,167,972
Vehicles	638,621	718,680	-	1,357,301
Library and textbooks	<u>1,163,270</u>	<u>-</u>	<u>-</u>	<u>1,163,270</u>
Subtotal	41,305,383	1,226,417	-	42,531,800
Less accumulated depreciation				
Buildings and related improvements	1,813,765	134,113	-	1,947,878
Easements	15,586,936	779,731	-	16,366,667
Machinery and equipment	1,195,717	228,854	-	1,424,571
Vehicles	442,202	76,696	-	518,898
Library and textbooks	<u>183,746</u>	<u>122,497</u>	<u>-</u>	<u>306,243</u>
Subtotal	<u>19,222,366</u>	<u>1,341,891</u>	<u>-</u>	<u>20,564,257</u>
Governmental capital assets, net	<u>\$27,297,176</u>	<u>\$(34,627)</u>	<u>\$ -</u>	<u>\$27,262,549</u>

Business-type activities

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets not being depreciated				
Land	\$ 634,960	\$ -	\$ -	\$ 634,960
Construction in progress	<u>5,634,668</u>	<u>1,374,575</u>	<u>-</u>	<u>7,009,243</u>
Subtotal	6,269,628	1,374,575	-	7,644,203
Capital assets being depreciated				
Buildings and improvements	4,444,660	-	-	4,444,660
Mains	27,720,409	-	-	27,720,409
Meters, manholes, and valves	3,778,209	-	-	3,778,209
Hydrants and services	4,211,880	-	-	4,211,880
Machinery, equipment and vehicles	<u>275,333</u>	<u>-</u>	<u>-</u>	<u>275,333</u>
Subtotal	40,430,491	-	-	40,430,491
Less accumulated depreciation				
Buildings and improvements	1,413,223	111,116	-	1,524,339
Mains	6,914,442	512,710	-	7,427,152
Meters, manholes and valves	1,216,412	80,400	-	1,296,812
Hydrants and services	1,028,284	83,326	-	1,111,610
Machinery, equipment and vehicles	<u>177,883</u>	<u>12,300</u>	<u>-</u>	<u>190,183</u>
Subtotal	<u>10,750,244</u>	<u>799,852</u>	<u>-</u>	<u>11,550,096</u>
Business-type capital assets, net	<u>\$35,949,875</u>	<u>\$ 574,723</u>	<u>\$ -</u>	<u>\$36,524,598</u>

TOWN OF WHITMAN, MASSACHUSETTS

Notes to Financial Statements

June 30, 2004

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

Governmental Activities

General government	\$ 12,615
Public safety	224,804
Public works	951,820
Human services	4,134
Culture and recreation	148,518
	<u>\$1,341,891</u>

Business-Type Activities

Water	\$ 75,308
Sewer	724,544
	<u>\$ 799,852</u>

Note 7. Interfund balances and activity

The amounts due to or from governmental activities and business-type activities for the fiscal year ended June 30, 2004, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Amounts to be transferred for paving of parking lot	\$ 15,000	\$(15,000)
Miscellaneous operating expenses	(350)	350
Total interfund balances	<u>\$ 14,650</u>	<u>\$(14,650)</u>

Interfund transfers, for the fiscal year ended June 30, 2004, consisted of the following:

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Debt Appropriation Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Amounts transferred from Receipts reserved for Appropriation and Revolving Funds to fund FY 2004 operating budget	\$ 526,975	\$(526,975)	\$	\$	\$
Appropriations to Stabilization Fund	(198,409)	198,409			
Amounts transferred to General Fund from sewer for parking lot	15,000				(15,000)
Appropriations from General Fund to Debt appropriation fund	(1,810,375)		1,810,375		
Amounts transferred from Ambulance receipts reserved for appropriation to Debt Appropriation Fund		(100,000)	100,000		
Transfer to waterways improvement fund	(1,322)	1,322			
Amounts transferred for miscellaneous operating expenses	(350)			250	100
Amounts transferred from Debt Appropriation Fund for expenses appropriated in the General Fund	166,737		(166,737)		
Amounts transferred from General Fund To fund Sewer Fund debt service.	<u>(1,023,965)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,023,965</u>
Totals on governmental fund basis	(2,325,709)	(427,244)	1,743,638	250	1,009,065
Agency account transfer	(4,227)				
Indirect costs appropriated in general fund on behalf of sewer fund	282,612	<u>-</u>	<u>-</u>	<u>-</u>	<u>(282,612)</u>
Totals on budgetary basis	<u>\$(2,047,324)</u>	<u>\$(427,244)</u>	<u>\$ 1,743,638</u>	<u>\$ 250</u>	<u>\$ 726,453</u>

TOWN OF WHITMAN, MASSACHUSETTS

Notes to Financial Statements

June 30, 2004

Note 8. Long-term obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2004.

<u>Purpose</u>	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance June 30, 2004</u>	<u>Current Portion</u>
Governmental activities:					
General Obligation Bonds, 3.75 - 4.00%, dtd. 12/15/2001, due 12/15/2019	\$3,160,000	\$	\$(200,000)	\$2,960,000	\$200,000
General Obligation Bonds, 3.75 - 4.00%, dtd. 12/15/2001, due 12/15/2005	15,000		(5,000)	10,000	5,000
Massachusetts Water Pollution Abatement Trust, subsidized septic bonds, dtd. 8/1/2001 due 8/1/2019	<u>65,496</u>	<u>-</u>	<u>(3,858)</u>	<u>61,638</u>	<u>3,858</u>
Total governmental bonds payable	<u>3,240,496</u>		<u>(208,858)</u>	<u>3,031,638</u>	<u>208,858</u>
Capital Leases:					
Police and fire vehicles	<u>33,000</u>	<u>708,489</u>	<u>(263,966)</u>	<u>477,523</u>	<u>138,201</u>
Total governmental capital leases	<u>33,000</u>	<u>708,489</u>	<u>(263,966)</u>	<u>477,523</u>	<u>138,201</u>
Total governmental activities noncurrent liabilities	<u>\$3,273,496</u>	<u>\$708,489</u>	<u>\$(472,824)</u>	<u>\$3,509,161</u>	<u>\$347,059</u>
<u>Purpose</u>	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance June 30, 2004</u>	<u>Current Portion</u>
Business-type activities:					
Water bonds, 3.75 - 5.05%, dtd. 12/15/2001, due 12/15/2019	\$ 705,000	\$	\$(40,000)	\$ 665,000	\$ 40,000
MWPAT DW bonds, subsidized, dtd. 2/1/2001, due 8/1/2020	1,890,328		(79,659)	1,810,669	81,823
MWPAT DW bonds, subsidized dtd. 11/26/2002, due 8/1/2022	5,358,502		(203,755)	5,154,747	206,535
Sewer refunding bonds, 4.50 - 5.70%, dtd. 4/1/1993, due 5/15/2008	1,990,000		(535,000)	1,455,000	525,000
Sewer refunding bonds, 3.25 - 4.00% dtd. 11/1/2002, due 1/15/2013	<u>2,580,000</u>	<u>-</u>	<u>(275,000)</u>	<u>2,305,000</u>	<u>285,000</u>
Total business-type activities noncurrent liabilities	<u>\$12,523,830</u>	<u>\$ -</u>	<u>\$ 1,133,414</u>	<u>\$11,390,416</u>	<u>\$1,138,358</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, 2004, the Town is due approximately \$334,556 of principal on the above MWPAT obligations. In addition, it is anticipated that approximately \$1,931,435 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, 2004, including interest, are as follows:

TOWN OF WHITMAN, MASSACHUSETTS

Notes to Financial Statements

June 30, 2004

Year Ending June 30,	<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>
2005	\$ 208,858	\$ 129,541	\$ 338,399	\$ 1,138,358	\$ 517,931	\$ 1,656,289
2006	208,858	121,426	330,284	1,028,436	469,510	1,497,946
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	198,858	96,998	295,856	616,885	343,286	960,171
2010 – 2014	954,394	361,052	1,315,446	2,904,476	1,334,053	4,238,529
2015 – 2019	904,140	149,709	1,053,849	2,285,000	724,974	3,009,974
2020 – 2024	158,814	4,018	162,832	1,675,000	153,812	1,828,812
Totals	<u>\$3,031,638</u>	<u>\$1,081,218</u>	<u>\$4,112,856</u>	<u>\$11,390,416</u>	<u>\$4,350,226</u>	<u>\$15,740,642</u>

The Town has established debt reserve funds for the renovations of existing schools and the construction of a new High School. As of June 30, 2004, these reserves have a balance of \$520,059 and \$3,054,383, 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, 2004:

<u>Purpose</u>	<u>Year(s) 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, 2004.

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, 2004, is as follows:

TOWN OF WHITMAN, MASSACHUSETTS

Notes to Financial Statements

June 30, 2004

<u>Year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$138,201	\$ 19,477	\$157,678
2006	86,858	13,642	100,500
2007	46,735	9,765	56,500
2008	48,543	7,958	56,501
2009	50,420	6,080	56,500
2010	52,370	4,130	56,500
2011	54,396	2,104	56,500
Total governmental	<u>\$477,523</u>	<u>\$ 63,156</u>	<u>\$540,679</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, 2004, the Town had no temporary loans outstanding.

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 \$763,618, representing approximately 3.15% of the system wide employer assessments which is equal to its required contribution. 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, 2003 and 2002 were \$672,722 and \$653,316 respectively, which were equal to the required contributions for each year.

TOWN OF WHITMAN, MASSACHUSETTS

Notes to Financial Statements

June 30, 2004

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 \$695,040 of pension benefits paid by the Commonwealth of Massachusetts on behalf of the Town. This amount is included in intergovernmental state revenue and general government expenditures of the general fund. However, this amount is not included in the Budgetary Basis changes in fund balance because it is not part of the local budget.

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. Certain employees may carry forward vacation days into the next year. The cost of vacation and sick leave benefits is recorded when incurred as an expenditure. Any allowable carryover of vacation days is generally limited to the following year and deemed immaterial to the financial statements. As a result, no liability has been recorded in the accompanying Balance Sheet and 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 138 retirees. The cost of retirees' healthcare and life insurance benefits is recognized as an expenditure as premiums are paid. For 2004, those costs totaled approximately \$428,000.

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, 2004. 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.

TOWN OF WHITMAN, MASSACHUSETTS

Notes to Financial Statements

June 30, 2004

The Town is currently undertaking an investigation into probable defalcation by an employee in the Town Collectors office potentially affecting several taxpayer accounts. The results of this investigation are not yet known, however, it is likely an adjustment to outstanding receivable accounts will be required. The amount of any such adjustment is not yet known, however, management does not believe the amount to have a material affect on the Town's financial position or results of operations for the year ended June 30, 2004.

Note 13. Restatement of prior year balances

Certain beginning balances have been restated to coincide with the current year financial statement presentation. The restated balances are displayed in the tables as follows:

Fund financial statements:

	<u>Governmental Funds Non-major</u>
Fund balance as of July 1, 2003	\$ 3,417,158
Reclassification of planning board deposits beginning balances to fiduciary funds (agency).	<u>(12,695)</u>
Fund balance as of July 1, 2003, restated	<u>\$ 3,404,463</u>

Government-wide financial statements:

	<u>Governmental Activities</u>
Net assets balance as of July 1, 2003	\$ 5,870,679
Capital assets, net of accumulated depreciation as of June 30, 2003	27,297,176
Reclassification of planning board deposits beginning balances to fiduciary funds (agency)	<u>(12,695)</u>
Net assets balance as of July 1, 2003, restated	<u>\$ 33,155,160</u>

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Business-type Activities Total</u>
Net assets balance as of July 1, 2003	\$ 5,635,886	\$ 26,738,906	\$ 32,374,792
Adjustments for recorded capital assets, net of accumulated depreciation, as of July 1, 2003	<u>(7,391)</u>	<u>(331,309)</u>	<u>(338,700)</u>
Net assets balance as of July 1, 2003, restated	<u>\$ 5,628,495</u>	<u>\$ 26,407,597</u>	<u>\$ 32,036,092</u>