

**TOWN OF WHITMAN, MASSACHUSETTS  
BASIC FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDING JUNE 30, 2005**

**TOWN OF WHITMAN, MASSACHUSETTS  
BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2005**

**INDEX**

	<b><u>PAGE</u></b>
Independent Auditor's Report on:	
Basic Financial Statements	i
Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	ii
Basic Financial Statements	
<u>Government-wide Financial Statements</u>	
Statement of Net Assets	1
Statement of Activities	2
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund balance – Governmental Funds	4
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to Statement of Activities	5
Statement of Revenues, Expenditures, and changes in Fund Balance – Budgetary Basis – General Fund – Budget and Actual	6
Statement of Net Assets – Propriety Funds	7
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	8
Statement of Cash Flows – Proprietary Funds	9
Statement of Net Assets – Fiduciary Funds	10
Statement of Changes in Net Assets – Fiduciary funds	11
Notes to Financial Statements	12

**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, 2005, 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, 2005, 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 July 12, 2006 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*

July 12, 2006

**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, 2005, which collectively comprise the Town of Whitman, Massachusetts' basic financial statements and have issued our report thereon dated July 12, 2006. 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 July 12, 2006.

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

*Therrien, Lynch, Bienvenue, LLP*

July 12, 2006

**BASIC FINANCIAL STATEMENTS**

TOWN OF WHITMAN, MASSACHUSETTS

Statement of Net Assets

June 30, 2005

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents			
Investments	\$ 5,633,472	\$ 1,922,321	\$ 7,555,793
Receivables, net of allowance for uncollectibles	2,816,526	2,897,059	5,713,585
Deferred bond costs	3,374,030	2,972,665	6,346,695
Capital assets, net of accumulated depreciation		326,916	326,916
	<u>26,091,213</u>	<u>36,318,530</u>	<u>62,409,743</u>
Total assets	<u>\$ 37,915,241</u>	<u>\$ 44,437,491</u>	<u>\$ 82,352,732</u>
<b><u>LIABILITIES</u></b>			
Accounts payable, accrued payroll and other current liabilities	\$ 234,102	\$ 926,187	\$ 1,160,289
Interfund balances	(12,404)	12,404	
Escrow deposits		19,759	19,759
Accrued interest payable		172,278	178,455
Provision for refund of paid taxes	6,177		
Noncurrent liabilities	207,532		207,532
Due within one year	304,881	1,028,437	1,333,318
Due in more than one year	<u>2,876,165</u>	<u>9,200,109</u>	<u>12,076,274</u>
Total liabilities	3,616,453	11,359,174	14,975,627
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	22,910,167	26,089,984	49,000,151
Restricted	5,931,625		5,931,625
Unrestricted	<u>5,456,996</u>	<u>6,988,333</u>	<u>12,445,329</u>
Total net assets	<u>34,298,788</u>	<u>33,078,317</u>	<u>67,377,105</u>
Total liabilities and net assets	<u>\$ 37,915,241</u>	<u>\$ 44,437,491</u>	<u>\$ 82,352,732</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, 2005

Functions/Programs Primary government	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
Governmental activities						
General government	\$ 3,496,920	\$ 87,726	\$	\$ (3,050,886)	\$	\$ (3,050,886)
Public safety	4,648,405	192,044		(3,780,955)		(3,780,955)
Education	9,668,583	788,380		(8,880,203)		(8,880,203)
Public works	2,770,517	73,022	330,454	(1,346,541)		(1,346,541)
Health and human services	349,495	103,949		(163,810)		(163,810)
Culture and recreation	509,760	38,671		(447,462)		(447,462)
Interest on long-term debt	126,505			(126,505)		(126,505)
State and county charges	128,010			(128,010)		(128,010)
Total governmental activities	21,698,195	1,283,792	330,454	(17,924,372)		(17,924,372)
Business-type activities						
Water	1,543,980	258,161			445,551	445,551
Sewer	2,088,738	81,638			(879,482)	(879,482)
Total business-type activities	3,632,718	339,799			(433,931)	(433,931)
Total primary government	\$ 25,330,913	\$ 1,623,591	\$ 330,454	(17,924,372)	(433,931)	(18,358,303)
General revenues						
Property taxes and payments in lieu, net of allowance for uncollectibles				14,909,986		14,909,986
Excise taxes				1,529,174		1,529,174
Penalties and interest on taxes				94,405		94,405
Intergovernmental				2,124,165		2,124,165
Investment income				131,862		131,862
Departmental receipts and miscellaneous				118,586		118,586
Loss on disposal of assets				(29,019)		(29,019)
Transfers, net				(955,456)	955,456	
Total general revenues, special items and transfers				17,923,703	955,456	18,879,159
Change in net assets				(669)	521,525	520,856
Net assets - beginning of year				34,299,457	32,556,792	66,856,249
Net assets - end of year				\$ 34,298,788	\$ 33,078,317	\$ 67,377,105

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

TOWN OF WHITMAN, MASSACHUSETTS

Balance Sheet - Governmental Funds

June 30, 2005

<u>ASSETS</u>	<u>General Fund</u>	<u>Debt Appropriation Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 191,765	\$ 3,865,413	\$ 1,576,294	\$ 5,633,472
Investments	572,803		2,243,723	2,816,526
Receivables	3,318,015		324,688	3,642,703
Due from other funds	12,754			12,754
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 4,095,337</u>	<u>\$ 3,865,413</u>	<u>\$ 4,144,705</u>	<u>\$ 12,105,455</u>
 <u>LIABILITIES</u>				
Accounts payable and other current liabilities	\$ 206,757	\$	\$ 26,994	\$ 233,751
Provision for refund of paid taxes	207,532			207,532
Deferred revenue	2,968,008		324,687	3,292,695
Due to other funds	350			350
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	3,382,647		351,681	3,734,328
 <u>FUND BALANCES</u>				
Reserved for				
Encumbrances and continued appropriations	483,623			483,623
Unreserved				
General Fund	229,067			229,067
Special revenue funds		3,865,413	3,762,701	7,628,114
Capital projects funds			6,055	6,055
Permanent fund			24,268	24,268
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	712,690	3,865,413	3,793,024	8,371,127
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 4,095,337</u>	<u>\$ 3,865,413</u>	<u>\$ 4,144,705</u>	<u>\$ 12,105,455</u>

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

Total fund balances of governmental funds	\$ 8,371,127
Capital assets used in governmental activities are not financial resources and not reported in funds.	
Capital assets are recorded at cost basis of \$47,862,867, net of accumulated depreciation of \$21,771,654	26,091,213
Accounts receivable are not available to pay for current-period expenditures and are deferred in funds, net of uncollectibles	3,023,671
Long-term liabilities are not due and payable in the current period and are not included in funds.	(3,181,046)
Reporting of liabilities on full accrual basis requires associated interest, net of subsidies, be accrued.	(6,177)
	<hr/>
Net assets of governmental activities	<u>\$ 34,298,788</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, 2005

	<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	\$ 14,993,989	\$	\$	\$ 14,993,989
Excise taxes	1,405,563			1,405,563
Licenses and permits	285,667		28,377	314,044
Penalties and interest	94,405			94,405
Investment income	128,619		55,101	183,720
Charges for services	681,602		461,540	1,143,142
Fines and fees	119,752		99,653	219,405
Contributions and donations			17,631	17,631
Departmental and other	113,608		204,220	317,828
Intergovernmental	3,142,960		144,612	3,287,572
<b>Total revenues</b>	<u>20,966,165</u>	<u>                    </u>	<u>1,011,134</u>	<u>21,977,299</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	3,361,459		122,483	3,483,942
Public safety	4,531,633		154,763	4,686,396
Education	9,664,224		4,359	9,668,583
Public works	1,866,548		11,062	1,877,610
Human services	325,432		19,656	345,088
Culture and recreation	283,283		75,717	359,000
State and county assessments	128,010			128,010
Debt service	335,761			335,761
<b>Total expenditures</b>	<u>20,496,350</u>	<u>                    </u>	<u>388,040</u>	<u>20,884,390</u>
Revenues over expenditures	469,815		623,094	1,092,909
<b>Other financing sources (uses)</b>				
Transfers in from other funds	993,179	746,870	18,669	1,758,718
Transfers out to other funds	(1,720,995)	(455,899)	(537,280)	(2,714,174)
<b>Total other financing sources (uses)</b>	<u>(727,816)</u>	<u>290,971</u>	<u>(518,611)</u>	<u>(955,456)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(258,001)	290,971	104,483	137,453
Fund balance, beginning of year	970,691	3,574,442	3,688,541	8,233,674
Fund balance, end of year	<u>\$ 712,690</u>	<u>\$ 3,865,413</u>	<u>\$ 3,793,024</u>	<u>\$ 8,371,127</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, 2005

Revenues and other financing sources over expenditures and other financing uses	\$ 137,453
<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	177,960
Loss on disposal of assets	(29,019)
Depreciation recorded for the fiscal year	(1,320,277)
<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	828,469
Net change in allowance for uncollectible accounts	(123,768)
<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	357,475
Capital asset acquisitions via leases	(29,360)
<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	<u>398</u>
Change in net assets of governmental activities	<u>\$ (669)</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 - Budgetary Basis  
General Fund - Budget and Actual  
For the Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues</b>				
Property taxes	\$ 16,437,613	\$ 14,899,613	\$14,913,679	\$ 14,066
Excise taxes	1,571,850	1,571,850	1,405,563	(166,287)
Licenses, fines, fees	333,310	333,310	405,419	72,109
Penalties and interest	101,400	101,400	94,405	(6,995)
Investment interest	72,100	72,100	128,619	56,519
Charges for services	904,250	904,250	681,602	(222,648)
Departmental and other	47,450	47,450	113,608	66,158
Intergovernmental	<u>2,174,805</u>	<u>2,300,656</u>	<u>2,456,491</u>	<u>155,835</u>
Total revenues	21,642,778	20,230,629	20,199,386	(31,243)
<b>Expenditures</b>				
General government	3,693,116	3,546,251	3,364,526	181,725
Public safety	4,628,767	4,557,654	4,531,633	26,021
Education	9,179,269	9,022,558	8,977,755	44,803
Public works	1,903,602	1,871,994	2,153,521	(281,527)
Human services	350,864	348,259	325,432	22,827
Culture and recreation	300,504	299,634	283,283	16,351
State and county assessments	130,978	130,978	128,010	2,968
Debt service	<u>340,237</u>	<u>340,237</u>	<u>335,761</u>	<u>4,476</u>
Total expenditures	<u>20,527,337</u>	<u>20,117,565</u>	<u>20,099,921</u>	<u>17,644</u>
Revenues over (under) expenditures	1,115,441	113,064	99,465	(13,599)
<b>Other financing sources (uses)</b>				
Transfers in from other funds	1,277,152	1,280,152	1,280,152	
Transfers out to other funds	<u>(2,816,981)</u>	<u>(1,716,416)</u>	<u>(1,720,995)</u>	<u>(4,579)</u>
Total other financing sources (uses)	<u>(1,539,829)</u>	<u>(436,264)</u>	<u>(440,843)</u>	<u>(4,579)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(424,388)	(323,200)	(341,378)	<u>\$ (18,178)</u>
Fund balance, beginning of year			<u>1,363,348</u>	
Fund balance, end of year			<u>\$ 1,021,970</u>	
<b>Other budget items</b>				
Free cash appropriations		437,435		
Teacher salary deferral	(68,588)	(68,588)		
Other deficits to be raised	(12,229)	(12,229)		
Carryover encumbrances	<u>505,205</u>	<u>(33,418)</u>		
Total other budget items	<u>424,388</u>	<u>323,200</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, 2005

	<b>Business-Type Activities</b>		
<u>ASSETS</u>	<u>Water</u> <u>Enterprise</u>	<u>Sewer</u> <u>Enterprise</u>	<u>Totals</u>
Cash and cash equivalents	\$ 973,392	\$ 948,929	\$ 1,922,321
Investments	946,736	1,950,323	2,897,059
Receivables, net of allowance for uncollectibles	2,554,224	418,441	2,972,665
Deferred bond costs		326,916	326,916
Capital assets, net of accumulated depreciation	10,078,300	26,240,230	36,318,530
Total assets	\$ 14,552,652	\$ 29,884,839	\$ 44,437,491
<b><u>LIABILITIES</u></b>			
Accounts payable, accrued payroll and other current liabilities	\$ 924,669	\$ 1,518	\$ 926,187
Interfund balances	(270)	12,674	12,404
Escrow deposits		19,759	19,759
Accrued interest payable	134,011	38,267	172,278
Noncurrent liabilities			
Due within one year	333,437	695,000	1,028,437
Due in more than one year	6,945,109	2,255,000	9,200,109
Total liabilities	8,336,956	3,022,218	11,359,174
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	2,799,754	23,290,230	26,089,984
Unrestricted	3,415,942	3,572,391	6,988,333
Total net assets	6,215,696	26,862,621	33,078,317
Total liabilities and net assets	\$ 14,552,652	\$ 29,884,839	\$ 44,437,491

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, 2005

	<b>Business-Type Activities</b>		
	<b>Water Enterprise</b>	<b>Sewer Enterprise</b>	<b>Totals</b>
<b>Operating revenues</b>			
Charges for service	\$ 1,474,380	\$ 994,134	\$ 2,468,514
Departmental and other	256,990	133,484	390,474
Total operating revenues	1,731,370	1,127,618	2,858,988
<b>Operating expenses</b>			
Operations	1,204,876	1,202,451	2,407,327
Depreciation	77,155	727,642	804,797
Amortization of refunding costs		8,000	8,000
Total operating expenses	1,282,031	1,938,093	3,220,124
<b>Operating income (loss)</b>	449,339	(810,475)	(361,136)
<b>Non operating revenues (expenses)</b>			
Intergovernmental	231,363	22,602	253,965
Investment income	26,798	59,036	85,834
Interest expense	(261,949)	(150,645)	(412,594)
Total non operating revenue (expenses), net	(3,788)	(69,007)	(72,795)
Income (loss) before transfers	445,551	(879,482)	(433,931)
<b>Transfers</b>			
Transfers in		955,456	955,456
Total transfers		955,456	955,456
Change in net assets	445,551	75,974	521,525
Net assets at beginning of year	5,770,145	26,786,647	32,556,792
Net assets at end of year	\$ 6,215,696	\$ 26,862,621	\$ 33,078,317

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, 2005

	<u>Business-Type Activities</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
	<u>Enterprise</u>	<u>Enterprise</u>	<u>Enterprise</u>
<b>Cash flows from operating activities</b>			
Receipts from customers, users and other departmental	\$ 1,938,049	\$ 1,033,219	\$ 2,971,268
Payments to vendors and employees and fringe benefits	<u>(423,538)</u>	<u>(1,455,188)</u>	<u>(1,878,726)</u>
Net cash provided (used) by operating activities	1,514,511	(421,969)	1,092,542
<b>Cash flows from noncapital financing activities</b>			
Intergovernmental revenue	231,363	22,602	253,965
Net transfer from other funds		<u>955,456</u>	<u>955,456</u>
Net cash provided by noncapital financing activities	<u>231,363</u>	978,058	955,456
<b>Cash flows from capital and related financing activities</b>			
Acquisition and construction of capital assets	(521,260)	(77,470)	(598,730)
Principal payments on bonds and notes	(351,870)	(810,000)	(1,161,870)
Interest expense	<u>(129,134)</u>	<u>(158,210)</u>	<u>(287,344)</u>
Net cash used by capital and related financing activities	<u>(1,002,264)</u>	<u>(1,045,680)</u>	<u>(2,047,944)</u>
<b>Cash flows from investing activities</b>			
Investment income	<u>26,798</u>	<u>59,036</u>	<u>85,834</u>
Net cash provided by investing activities	<u>26,798</u>	<u>59,036</u>	<u>85,834</u>
Net change in cash and cash equivalents	770,408	(430,555)	339,853
Cash and cash equivalents at beginning of year	1,149,720	<u>3,329,807</u>	<u>4,479,527</u>
Cash and cash equivalents at end of year	<u>\$ 1,920,128</u>	<u>\$ 2,899,252</u>	<u>\$ 4,819,380</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income (loss)	\$ 449,339	\$ (810,475)	\$ (361,136)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Cash flows reported in other categories:			
Depreciation and amortization	77,155	735,642	812,797
Changes in assets and liabilities:			
Receivables, net	206,679	(94,399)	112,280
Warrants payable and other current liabilities	<u>781,338</u>	<u>(252,737)</u>	<u>528,601</u>
Total adjustments	<u>1,065,172</u>	<u>388,506</u>	<u>1,453,678</u>
Net cash provided (used) by operating activities	<u>\$ 1,514,511</u>	<u>\$ (421,969)</u>	<u>\$ 1,092,542</u>

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

**TOWN OF WHITMAN, MASSACHUSETTS**  
Statement of Net Assets - Fiduciary Funds  
June 30, 2005

<u>ASSETS</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Accounts</u>
Cash and cash equivalents	\$ 286,345	\$ 489,052
Investments	<u>174,659</u>	<u>          </u>
Total assets	<u>\$ 461,004</u>	<u>\$ 489,052</u>
 <u>LIABILITIES</u> 		
Accounts payable and other current liabilities	<u>\$ 144,995</u>	<u>\$ 489,052</u>
Total liabilities	144,995	489,052
 <u>NET ASSETS</u> 		
Held in trust	<u>316,009</u>	<u>          </u>
Total liabilities and net assets	<u>\$ 461,004</u>	<u>\$ 489,052</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, 2005**

	<b>Private Purpose Trust Funds</b>
<b>Additions</b>	
Interest and dividends	\$ 38,485
Donations	<u>875</u>
Total additions	39,360
<b>Deductions</b>	
Scholarships and awards	3,010
Donations	<u>1,304</u>
Total deductions	<u>4,314</u>
Change in net assets	35,046
Net assets at beginning of year	<u>280,963</u>
Net assets at end of year	<u><u>\$ 316,009</u></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, 2005

## 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 2005 Assessment</u>
Whitman-Hanson Regional School District 600 Franklin Street Whitman, MA 02382	To provide education to students grades Pre K-12.	\$7,003,269
South Shore Regional School District 476 Webster Street Hanover, MA 02339-1215	To provide vocational education to students grades 9-12.	\$1,112,150

#### 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, 2005

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 Town uses the following fund types:

#### 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, 2005

- 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, 2005

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, 2005, 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**

The Town has not adopted formal deposit and investment policies. The Town Treasurer manages funds pursuant to Massachusetts General Laws.

## TOWN OF WHITMAN, MASSACHUSETTS

### Notes to Financial Statements

June 30, 2005

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).

Investments are reported at fair value which is determined using selected bases. Short-term investments with maturity dates of not more than ninety days from date of purchase are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities. Cash and certificates of deposit are reported at carrying value which reasonably estimates fair value. Additional cash and investment information, and fair values 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 and approximately 3% of water and sewer 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**

The accounting treatment over property, plant, and equipment (capital assets) depends on whether they are reported in the government-wide or fund financial statements.

##### Government-wide Statements

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. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2002.

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.

# TOWN OF WHITMAN, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2005

Depreciation of all exhaustible capital 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, 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, if any, are accounted for the same as in the government-wide statements.

### 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.

# TOWN OF WHITMAN, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2005

- 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.

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.

**TOWN OF WHITMAN, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2005

**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, 2005, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
As reported on a budgetary basis	\$ 20,199,386	\$ 20,099,921	\$ (440,843)
Adjustment of property tax revenues to modified accrual basis	80,310		
State funded teacher's pension	686,469	686,469	
Prior year expense accrual not reported on budgetary basis		(3,067)	
Indirect costs of other funds recorded as operating transfers on budgetary basis, net of interfund charges	-	(286,973)	(286,973)
As reported on a GAAP basis	<u>\$ 20,966,165</u>	<u>\$ 20,496,350</u>	<u>\$ (727,816)</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.

TOWN OF WHITMAN, MASSACHUSETTS

Notes to Financial Statements

June 30, 2005

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 \$68,588 were raised in fiscal year 2005 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, 2005, the Town had the following general fund equities in the fund financial statements:

Reserved for encumbrances and continued appropriations	\$ 483,623
Unreserved:	
Undesignated	380,108
Designated for expenditure	184,000
Snow and ice deficit	(283,887)
Teacher salary deferral	(34,346)
Other appropriation deficits	<u>(16,808)</u>
Total unreserved	<u>229,067</u>
Total General Fund Equities	<u>\$ 712,690</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, 2005

Capital Project Fund Balances:	
Fire and Police Capital Improvement Fund	\$ 6,055
Special Revenue Fund Balances:	
Reserve for Debt Service	3,865,412
Ambulance Revolving	777,507
Cable Access Fund	257,737
Burrill Library Fund	218,580
Other special revenue funds	782,066
Permanent Funds:	
Expendable	11,490
Non-expendable	<u>12,778</u>
Total restricted net assets	<u>\$ 5,931,625</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), an external investment pool managed by the Treasurer of the Commonwealth of Massachusetts. MMDT have been classified as cash equivalents in the statement of cash flows. Cash deposits are reported at carrying amount, which reasonably approximates fair value.

The Town maintains deposits in authorized financial institutions. In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town does not have a formal deposit policy for custodial credit risk. At June 30, 2005 deposits totaled \$8,444,678 and had a carrying amount of \$8,331,190. Of the deposit amounts, \$7,645,115 was exposed to custodial credit risk at June 30, 2005 because it was uninsured and uncollateralized. The difference between deposit amounts and carrying amounts generally represents outstanding checks and deposits in transit.

*Custodial credit risk* for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have an investment policy covering custodial credit risk.

*Interest rate risk* is the risk that changes in market interest rates that will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair market value to changes in market interest rates. The Town does not have an investment policy regarding interest rate risk. The approximate maturities of the Town's debt investments are disclosed in the following table:

**TOWN OF WHITMAN, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2005

<u>Investment Type</u>	<u>Fair Market Value</u>	<u>Not Applicable</u>	<u>Maturity</u>		
			<u>12 months or less</u>	<u>13 - 24 months</u>	<u>25 - 60 months</u>
Governmental Activities MMDT	\$ 2,816,526	\$ -	\$ 2,816,526	\$ -	\$ -
Business-type Activities MMDT	<u>2,897,059</u>	-	<u>2,897,059</u>	-	-
Total Primary Government	<u>\$ 5,713,585</u>	<u>\$ -</u>	<u>\$ 5,713,585</u>	<u>\$ -</u>	<u>\$ -</u>
Fiduciary Funds MMDT	\$ 101,390	\$ -	\$ 101,390	\$ -	\$ -
Domestic equities	<u>73,269</u>	<u>73,269</u>	-	-	-
	<u>\$ 174,659</u>	<u>\$ 73,269</u>	<u>\$ 101,390</u>	<u>\$ -</u>	<u>\$ -</u>

*Credit risk* is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of the U.S. Government and certain of its agencies are not considered to have credit risk and therefore no rating is disclosed in the following table. Equity securities, money market funds, repurchase agreements and equity mutual funds are not rated as to credit risk. The Town does not have an investment policy, which would limit its investment choices. The following table discloses the approximate amount of debt investments in each rating classification using Standard & Poor's rating classifications:

<u>Investment Type</u>	<u>Fair Market Value</u>	<u>Not Applicable</u>
Governmental Activities MMDT	\$ 2,816,526	\$ 2,816,526
Business-type Activities MMDT	<u>2,897,059</u>	<u>2,897,059</u>
Total Primary Government	<u>\$ 5,713,585</u>	<u>\$ 5,713,585</u>
Fiduciary Funds MMDT	\$ 101,390	\$ 101,390
Domestic equities	<u>73,269</u>	<u>73,269</u>
	<u>\$ 174,659</u>	<u>\$ 174,659</u>

*Concentration of credit risk* – The Town does not have an investment policy, which limits the amount that can be invested in any one issuer or security. Excluding U.S. federal agency securities, and external investment pools, there are no securities or issuers, which represent more than 5% of the total investments of the general fund/governmental activities. Certain investments exceed 5% of the fiduciary investment total; however, those risks are not significantly greater than the risks of the primary government.

**TOWN OF WHITMAN, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2005

**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	\$ 583,670	\$ 33,352	\$ 550,318	\$ 306,516
Tax liens, deferrals and foreclosures	585,281		585,281	585,281
Motor vehicle and boat excise	648,128	170,995	477,133	648,128
Charges for service, including betterments	863,098	64,326	798,772	863,098
Intergovernmental:				
Commonwealth highway awards	856,496		856,496	856,496
Other	<u>106,030</u>	-	<u>106,030</u>	<u>33,176</u>
Totals	<u>\$ 3,642,703</u>	<u>\$ 268,673</u>	<u>\$ 3,374,030</u>	<u>\$ 3,292,695</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	\$ 428,390	\$ 13,000	\$ 415,390
Unbilled water charges	255,000	2,000	253,000
Sewer rates and charges	266,041	8,000	258,041
Unbilled sewer charges	165,400	5,000	160,400
Intergovernmental:			
MWPAT principal	15,253		15,253
MWPAT subsidy *	<u>1,870,581</u>	-	<u>1,870,581</u>
Totals	<u>\$ 3,000,665</u>	<u>\$ 28,000</u>	<u>\$ 2,972,665</u>

\* MWPAT subsidy is not expected to be collected within one year as it will be collected over the life of the related debt.

**TOWN OF WHITMAN, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2005

**Note 6. Capital Assets**

Capital asset activity for the Town's governmental and business-type activities as of June 30, 2005 are 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	\$ 1,754,488	\$ -	\$ -	\$ 1,754,488
Works of art and historical treasures	114,925			114,925
Construction in progress	<u>3,425,593</u>	<u>-</u>	<u>-</u>	<u>3,425,593</u>
Sub-total	5,295,006			5,295,006
Capital assets being depreciated				
Buildings and related improvements	5,242,746			5,242,746
Easements	32,600,511	25,930		32,626,441
Machinery and equipment	2,167,972		85,000	2,082,972
Vehicles	1,357,301	152,030	56,899	1,452,432
Library and textbooks	<u>1,163,270</u>	<u>-</u>	<u>-</u>	<u>1,163,270</u>
Subtotal	42,531,800	177,960	141,899	42,567,861
Less accumulated depreciation				
Buildings and related improvements	1,947,878	138,175		2,086,053
Easements	16,366,667	746,750		17,113,417
Machinery and equipment	1,424,571	199,641	85,000	1,539,212
Vehicles	518,898	113,214	27,880	604,232
Library and textbooks	<u>306,243</u>	<u>122,497</u>	<u>-</u>	<u>428,740</u>
Subtotal	<u>20,564,257</u>	<u>1,320,277</u>	<u>112,880</u>	<u>21,771,654</u>
Governmental capital assets, net	<u>\$27,262,549</u>	<u>\$(1,142,317)</u>	<u>\$ 29,019</u>	<u>\$26,091,213</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>7,009,243</u>	<u>543,255</u>	<u>-</u>	<u>7,552,498</u>
	7,644,203	543,255		8,187,458
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>55,475</u>	<u>-</u>	<u>330,808</u>
Subtotal	40,430,491	55,475		40,485,966
Less accumulated depreciation				
Buildings and improvements	1,524,339	111,116		1,635,455
Mains	7,427,152	512,710		7,939,862
Meters, manholes and valves	1,296,812	79,797		1,376,609
Hydrants and services	1,111,610	83,326		1,194,936
Machinery, equipment and vehicles	<u>190,184</u>	<u>17,848</u>	<u>-</u>	<u>208,032</u>
Subtotal	<u>11,550,097</u>	<u>804,797</u>	<u>-</u>	<u>12,354,894</u>
Business-type capital assets, net	<u>\$36,524,597</u>	<u>\$(206,067)</u>	<u>\$ -</u>	<u>\$36,318,530</u>

**TOWN OF WHITMAN, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2005

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

**Governmental Activities:**

General government	\$ 12,978
Public safety	233,295
Public works	918,838
Health and human services	4,407
Culture and recreation	<u>150,759</u>
Total depreciation expense – governmental activities	<u>\$ 1,320,277</u>

**Business-Type Activities:**

Water	\$ 77,155
Sewer	<u>727,642</u>
Total depreciation expense – governmental activities	<u>\$ 804,797</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, 2005, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Amounts to be transferred for paving of parking lot	\$ 12,754	\$( 12,754)
Miscellaneous operating expenses	<u>( 350)</u>	<u>350</u>
Total interfund balances	<u>\$ 12,404</u>	<u>\$( 12,404)</u>

Interfund transfers, for the fiscal year ended June 30, 2005, 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 2005 operating budget	\$ 537,280	\$(537,280)	\$ -	\$ -	\$ -
Appropriations to Stabilization Fund	(114,000)	114,000			
Appropriations from General Fund to Debt appropriation fund	(646,870)		646,870		
Amounts transferred from Ambulance receipts reserved for appropriation to Debt Appropriation Fund		(100,000)	100,000		
Transfer to waterways improvement fund	(1,069)	1,069			
Amounts transferred for miscellaneous operating expenses	(3,600)	3,600			
Amounts transferred from Debt Appropriation Fund for expenses appropriated in the General Fund	455,899		(455,899)		
Amounts transferred from General Fund to fund Sewer Fund debt service.	<u>(955,456)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>955,456</u>
Totals on governmental fund basis	(727,816)	(518,611)	290,971		955,456
Indirect costs appropriated in general fund on behalf of water fund	155,904			(155,904)	
Indirect costs appropriated in water fund on behalf of sewer fund				86,272	(86,272)
Indirect costs appropriated in general fund on behalf of sewer fund	<u>131,069</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(131,069)</u>
Totals on budgetary basis	<u>\$(440,843)</u>	<u>\$(518,611)</u>	<u>\$290,971</u>	<u>\$(69,632)</u>	<u>\$738,115</u>

**TOWN OF WHITMAN, MASSACHUSETTS**  
Notes to Financial Statements  
June 30, 2005

**Note 8. Long-term obligations**

The following is a summary of changes in long-term obligations for the year ended June 30, 2005.

<u>Purpose</u>	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Current</u> <u>Portion</u>
<b>Governmental activities:</b>					
General Obligation Bonds, 3.75 – 4.00%, dtd. 12/15/2001, due 12/15/2019	\$ 2,960,000	\$ -	\$ (200,000)	\$ 2,760,000	\$ 200,000
General Obligation Bonds, 3.75 – 4.00%, dtd. 12/15/2001, due 12/15/2005	10,000		( 5,000)	5,000	5,000
Massachusetts Water Pollution Abatement Trust, subsidized septic bonds, dtd. 8/1/2001 due 8/1/2019	<u>61,638</u>	<u>-</u>	<u>( 3,858)</u>	<u>57,780</u>	<u>3,858</u>
Total governmental bonds payable	<u>3,031,638</u>		<u>(208,858)</u>	<u>2,822,780</u>	<u>208,858</u>
<b>Capital Leases:</b>					
Police and fire vehicles	<u>477,523</u>	<u>29,360</u>	<u>(148,617)</u>	<u>358,266</u>	<u>96,023</u>
Total governmental capital leases	<u>477,523</u>	<u>29,360</u>	<u>(148,617)</u>	<u>358,266</u>	<u>96,023</u>
Total governmental activities noncurrent liabilities	<u>\$ 3,509,161</u>	<u>\$ 29,360</u>	<u>\$ (357,475)</u>	<u>\$ 3,181,046</u>	<u>\$ 304,881</u>
<u>Purpose</u>	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Current</u> <u>Portion</u>
<b>Business-type activities:</b>					
Water bonds, 3.75 - 5.05%, dtd. 12/15/2001, due 12/15/2019	\$ 665,000	\$ -	\$ ( 40,000)	\$ 625,000	\$ 40,000
MWPAT DW bonds, subsidized, dtd. 2/1/2001, due 8/1/2020	1,810,669		( 81,823)	1,728,846	83,942
MWPAT DW bonds, subsidized dtd. 11/26/2002, due 8/1/2022	5,154,748		(230,048)	4,924,700	209,495
Sewer refunding bonds, 4.50 – 5.70%, dtd. 4/1/1993, due 5/15/2008	1,455,000		(525,000)	930,000	415,000
Sewer refunding bonds, 3.25 – 4.00% dtd. 11/1/2002, due 1/15/2013	<u>2,305,000</u>	<u>-</u>	<u>(285,000)</u>	<u>2,020,000</u>	<u>280,000</u>
Total business-type activities noncurrent liabilities	<u>\$ 11,390,417</u>	<u>\$ -</u>	<u>\$(1,161,871)</u>	<u>\$ 10,228,546</u>	<u>\$ 1,028,437</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, 2005, the Town is due approximately \$15,253 of principal on the above MWPAT obligations. In addition, it is anticipated that approximately \$1,870,581 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 financial statements 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, 2005, including interest, are as follows:

**TOWN OF WHITMAN, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2005

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>
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	198,858	88,566	287,424	620,706	319,000	939,706
2011 – 2015	944,420	319,751	1,264,171	2,708,770	1,206,061	3,914,831
2016 – 2020	874,070	106,463	980,533	2,365,000	605,607	2,970,607
2021 – 2024	-	-	-	1,146,398	82,169	1,228,567
Totals	<u>\$ 2,822,780</u>	<u>\$ 951,678</u>	<u>\$ 3,774,458</u>	<u>\$ 10,228,456</u>	<u>\$ 3,832,293</u>	<u>\$ 14,060,749</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, 2005, these reserves have a balance of \$967,630 and \$2,897,783, 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.

The Town is subject to a dual level general debt limit – the normal debt limit and the double debt limit. Such limits are equal to 5% and 10%, respectively of the valuation of taxable property in the Town as last equalized by the Commonwealth's Department of Revenue. Debt may be authorized up to the normal debt limit without the Commonwealth's approval. Authorizations under the double debt limit, however, require the approval of the Department of Revenue. Additionally, there are many categories of general obligation debt that are exempt from the debt limit but are subject to other limitations.

Unissued debt authorizations consist of the following at June 30, 2005:

<u>Purpose</u>	<u>Year(s) Authorized</u>	<u>Amount</u>
Library	1998	\$ 4,860
Water Plans	1999	145,000
Total authorized and unissued		<u>\$ 149,860</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, 2005.

**TOWN OF WHITMAN, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2005

**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, 2005, is as follows:

<u>Year ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 96,023	\$ 14,745	\$ 110,768
2007	56,514	10,254	66,768
2008	48,543	7,958	56,501
2009	50,420	6,080	56,500
2010	52,370	4,130	56,500
2011	<u>54,396</u>	<u>2,104</u>	<u>56,500</u>
Total governmental	<u>\$ 358,266</u>	<u>\$ 45,271</u>	<u>\$ 403,537</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, 2005, 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.

# TOWN OF WHITMAN, MASSACHUSETTS

## Notes to Financial Statements

June 30, 2005

### 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 \$790,339, 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, 2004 and 2003 were \$763,618 and \$672,722 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 \$686,469 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 135 retirees. The cost of retirees' healthcare and life insurance benefits is recognized as an expenditure as premiums are paid. For 2005, those costs totaled approximately \$477,000.

### 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.

**TOWN OF WHITMAN, MASSACHUSETTS**

Notes to Financial Statements

June 30, 2005

**Note 12. Commitments and Contingencies**

The Town is named as a defendant in several lawsuits at June 30, 2005. 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.

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, 2005.