

TOWN OF WHITMAN, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2007

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INDEPENDENT AUDITORS' REPORT

To the 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, 2007, 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's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, as of June 30, 2007, 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.

The management's discussion and analysis, appearing on the following pages, is not a required part of the basic financial statements but is supplementary information required by the *Governmental Accounting Standards Board*. We have applied certain limited procedures, which consisted principally of inquiries of management

Additional Offices:

Greenfield, MA • Ellsworth, ME • Nashua, NH • Manchester, NH

regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

McLanahan Health + Company P.C.

Andover, Massachusetts
September 5, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Whitman, we offer readers this narrative overview and analysis of the financial activities of the Town of Whitman for the fiscal year ended June 30, 2007. Unless otherwise noted, all amounts are expressed in thousands.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The statement of net assets presents information on all assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, health and human services, and culture and recreation. The business-type activities include water and sewer activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be

divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for water and sewer operations.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations, both of which are considered to be major funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to financial statements. The notes provide additional information that are essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by the *Governmental Accounting Standards Board*.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 67,025 (i.e., net assets), a change of \$ (1,137) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 9,527, a change of \$ 242 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 845, a change of \$ (820) in comparison with the prior year.
- Total bonds payable at the close of the current fiscal year was \$ 10,783, a change of \$ (1,032) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 11,923	\$ 12,309	\$ 6,511	\$ 7,583	\$ 18,434	\$ 19,892
Capital assets	24,571	25,526	36,385	36,376	60,956	61,902
Total assets	<u>36,494</u>	<u>37,835</u>	<u>42,896</u>	<u>43,959</u>	<u>79,390</u>	<u>81,794</u>
Long-term liabilities outstanding	3,052	3,288	8,331	9,201	11,383	12,489
Other liabilities	472	512	510	632	982	1,144
Total liabilities	<u>3,524</u>	<u>3,800</u>	<u>8,841</u>	<u>9,833</u>	<u>12,365</u>	<u>13,633</u>
Net assets:						
Invested in capital assets, net	21,663	22,377	28,053	27,175	49,716	49,552
Restricted	4,513	5,190	-	-	4,513	5,190
Unrestricted	6,794	6,469	6,002	6,951	12,796	13,420
Total net assets	<u>\$ 32,970</u>	<u>\$ 34,036</u>	<u>\$ 34,055</u>	<u>\$ 34,126</u>	<u>\$ 67,025</u>	<u>\$ 68,162</u>

CHANGES IN NET ASSETS

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,190	\$ 2,082	\$ 2,268	\$ 2,897	\$ 4,458	\$ 4,979
Operating grants and contributions	974	1,249	26	587	1,000	1,836
Capital grants and contributions	737	201	212	-	949	201
General revenues:						
Property taxes	15,296	16,097	-	-	15,296	16,097
Excises	1,461	1,506	-	-	1,461	1,506
Penalties and interest on taxes	257	193	-	-	257	193
Grants and contributions not restricted to specific programs	2,659	2,174	-	-	2,659	2,174
Investment income	375	208	185	-	560	208
Other	181	16	-	-	181	16
Total revenues	<u>24,130</u>	<u>23,726</u>	<u>2,691</u>	<u>3,484</u>	<u>26,821</u>	<u>27,210</u>
Expenses:						
General government*	4,462	3,940	-	-	4,462	3,940
Public safety	5,124	4,852	-	-	5,124	4,852
Education	10,933	10,550	-	-	10,933	10,550
Public works	3,068	2,677	-	-	3,068	2,677
Human services	387	361	-	-	387	361
Culture and recreation	624	547	-	-	624	547
Interest on long-term debt	112	119	-	-	112	119
Intergovernmental	156	149	-	-	156	149
Water	-	-	1,615	1,794	1,615	1,794
Sewer	-	-	1,477	1,436	1,477	1,436
Total expenses	<u>24,866</u>	<u>23,195</u>	<u>3,092</u>	<u>3,230</u>	<u>27,958</u>	<u>26,425</u>
Change in net assets before transfers	(736)	531	(401)	254	(1,137)	785
Transfers in (out)	(330)	(794)	330	794	-	-
Increase(Decrease) in net assets	(1,066)	(263)	(71)	1,048	(1,137)	785
Net assets - beginning of year	<u>34,036</u>	<u>34,299</u>	<u>34,126</u>	<u>33,078</u>	<u>68,162</u>	<u>67,377</u>
Net assets - end of year	<u>\$ 32,970</u>	<u>\$ 34,036</u>	<u>\$ 34,055</u>	<u>\$ 34,126</u>	<u>\$ 67,025</u>	<u>\$ 68,162</u>

* Including Employee Benefits

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were \$ 67,025, a change of \$ (1,137) from the prior year.

The largest portion of net assets \$ 49,716 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets \$ 4,513 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 12,796 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net assets of \$ (1,066). Key elements of this change are as follows:

General fund expenditures in excess of revenues	\$ (142)
Stabilization major fund revenues	83
Nonmajor governmental fund revenues over expenditures (Including Ambulance transfer to the General Fund)	294
Depreciation in excess of debt service expense	(1,599)
Other	<u>298</u>
Total	<u>\$ (1,066)</u>

Business-type activities. Business-type activities for the year resulted in a change in net assets of \$ (71). Key elements of this change are as follows:

Water operations	\$ (26)
Sewer operations	<u>(45)</u>
Total	<u>\$ (71)</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources.

Such information is useful in assessing financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$ 9,527, a change of \$ 242 in comparison with the prior year. Key elements of this change are as follows:

General fund expenditures and transfers out in excess of revenues and transfers in	\$ (234)
Debt appropriation major fund expenditures and transfers out in excess of revenues and transfers in	(435)
Stabilization major fund revenues and transfers in in excess of expenditures and transfers out	770
Special revenue fund revenues and transfers in in excess of expenditures and transfers out	168
Other	<u>(27)</u>
Total	<u>\$ 242</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$ 845, while total fund balance was \$ 1,959. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 3.5 percent of total general fund expenditures, while total fund balance represents 8.2 percent of that same amount.

The fund balance of the general fund changed by \$ (234) during the current fiscal year. Key factors in this change are as follows:

Use of fund balance and other sources	\$ (1,241)
Revenues in excess of budget	30
Expenditures less than budget	356
Current year encumbrances in excess of prior year encumbrance expenditures	542
Other	<u>79</u>
Total	<u>\$ (234)</u>

Proprietary funds. Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at the end of the year amounted to \$ 6,002, a change of \$ (950) in comparison with the prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$ 1,268. Major reasons for these amendments include:

- \$ 687 appropriated for the purpose of creating a Capital Expense Stabilization Fund, funded by free cash.
- \$ 170 appropriated for engineering/architectural assessments for various town buildings and facilities, funded by free cash.
- \$ 300 appropriated to demolish the Holt Building, funded by free cash.
- \$ 111 appropriated for various other items funded by transfers and free cash.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year end amounted to \$ 60,956 (net of accumulated depreciation), a change of \$ 926 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

- Various road repairs and resurfacing
- Sewer system renovations

Additional information on capital assets can be found in the footnotes to the financial statements.

Change in credit rating. During the fiscal year, the Moody's credit rating of A2 did not change.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$ 10,783, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the footnotes to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Whitman's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Francis J. Lynam
Town Manager
Town of Whitman
54 South Avenue - P.O. Box 426
Whitman, MA 02382-0426

TOWN OF WHITMAN, MASSACHUSETTS
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 7,146,651	\$ 3,136,513	\$ 10,283,164
Investments	2,107,909	524,398	2,632,307
Receivables, net of allowance for uncollectibles:			
Property taxes	487,681	-	487,681
Excises	179,546	-	179,546
User fees	256,710	1,015,249	1,271,959
Departmental and other	271,431	-	271,431
Intergovernmental	888,766	68,488	957,254
Other assets	-	110,708	110,708
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	433,937	-	433,937
Intergovernmental	-	1,656,103	1,656,103
Other assets	149,344	-	149,344
Capital assets not being depreciated	1,869,413	1,741,615	3,611,028
Capital assets, net of accumulated depreciation	<u>22,702,587</u>	<u>34,643,021</u>	<u>57,345,608</u>
TOTAL ASSETS	36,493,975	42,896,095	79,390,070
LIABILITIES			
Current:			
Warrants payable	459,290	-	459,290
Accounts payable	-	125,400	125,400
Due to other governments	-	213,510	213,510
Accrued liabilities	6,121	150,714	156,835
Other current liabilities	6,044	20,292	26,336
Current portion of long-term liabilities:			
Bonds payable	200,910	870,210	1,071,120
Other liabilities	138,249	-	138,249
Noncurrent:			
Bonds payable, net of current portion	2,250,995	7,460,919	9,711,914
Other liabilities, net of current portion	<u>461,883</u>	<u>-</u>	<u>461,883</u>
TOTAL LIABILITIES	3,523,492	8,841,045	12,364,537
NET ASSETS			
Invested in capital assets, net of related debt	21,663,133	28,053,507	49,716,640
Restricted for:			
Grants and other statutory restrictions	4,267,882	-	4,267,882
Permanent funds:			
Nonexpendable	12,778	-	12,778
Expendable	232,715	-	232,715
Unrestricted	<u>6,793,975</u>	<u>6,001,543</u>	<u>12,795,518</u>
TOTAL NET ASSETS	<u>\$ 32,970,483</u>	<u>\$ 34,055,050</u>	<u>67,025,533</u>

See notes to financial statements.

TOWN OF WHITMAN, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net(Expenses) Revenues and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 1,876,457	\$ 479,536	\$ 48,437	\$ -	\$ (1,348,484)	\$ -	\$ (1,348,484)
Public safety	5,124,416	541,588	61,517	-	(4,521,311)	-	(4,521,311)
Education	10,932,897	-	825,652	-	(10,107,245)	-	(10,107,245)
Public works	3,068,097	1,121,605	1,548	736,696	(1,208,248)	-	(1,208,248)
Health and human services	386,567	7,407	11,258	-	(367,902)	-	(367,902)
Culture and recreation	623,530	39,454	25,695	-	(558,381)	-	(558,381)
Employee benefits	2,586,020	-	-	-	(2,586,020)	-	(2,586,020)
Interest	111,677	-	-	-	(111,677)	-	(111,677)
Intergovernmental	156,033	-	-	-	(156,033)	-	(156,033)
Total Governmental Activities	24,865,694	2,189,590	974,107	736,696	(20,965,301)	-	(20,965,301)
Business-Type Activities:							
Water services	1,614,702	1,381,985	-	212,356	-	(20,361)	(20,361)
Sewer services	1,477,033	885,450	26,224	-	-	(565,359)	(565,359)
Total Business-Type Activities	3,091,735	2,267,435	26,224	212,356	-	(585,720)	(585,720)
Total	\$ 27,957,429	\$ 4,457,025	\$ 1,000,331	\$ 949,052	(20,965,301)	(585,720)	(21,551,021)
General Revenues and Transfers:							
Property taxes					15,295,992	-	15,295,992
Excises					1,461,034	-	1,461,034
Penalties, interest and other taxes					257,342	-	257,342
Grants and contributions not restricted to specific programs					2,658,795	-	2,658,795
Investment income					375,424	184,679	560,103
Miscellaneous					181,315	-	181,315
Transfers, net					(329,741)	329,741	-
Total general revenues and transfers					19,900,161	514,420	20,414,581
Change in Net Assets					(1,065,140)	(71,300)	(1,136,440)
Net Assets:							
Beginning of year					34,035,623	34,126,350	68,161,973
End of year					\$ 32,970,483	\$ 34,055,050	\$ 67,025,533

See notes to financial statements.

TOWN OF WHITMAN, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

FOR THE YEAR ENDED JUNE 30, 2007

	<u>General</u>	Debt Appropriation <u>Fund</u>	Stabilization <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS					
Cash and short-term investments	\$ 1,686,686	\$ 3,126,977	\$ 800,407	\$ 1,532,581	\$ 7,146,651
Investments	-	-	2,107,909	-	2,107,909
Receivables:					
Property taxes	1,147,140	-	-	-	1,147,140
Excises	403,094	-	-	-	403,094
User fees	256,710	-	-	-	256,710
Departmental and other	-	-	-	325,256	325,256
Intergovernmental	888,766	-	-	-	888,766
Other assets	149,344	-	-	-	149,344
TOTAL ASSETS	<u>\$ 4,531,740</u>	<u>\$ 3,126,977</u>	<u>\$ 2,908,316</u>	<u>\$ 1,857,837</u>	<u>\$ 12,424,870</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Warrants payable	\$ 459,290	\$ -	\$ -	\$ -	\$ 459,290
Deferred revenues	2,107,186	-	-	325,256	2,432,442
Other liabilities	6,044	-	-	-	6,044
TOTAL LIABILITIES	2,572,520	-	-	325,256	2,897,776
Fund Balances:					
Reserved for:					
Encumbrances and continuing appropriations	985,665	-	-	-	985,665
Expenditures	128,600	-	-	-	128,600
Perpetual (unexpendable) permanent funds	-	-	-	12,778	12,778
Unreserved:					
Undesignated, reported in:					
General fund	844,955	-	-	-	844,955
Special revenue funds	-	3,126,977	2,908,316	1,287,088	7,322,381
Permanent funds	-	-	-	232,715	232,715
TOTAL FUND BALANCES	<u>1,959,220</u>	<u>3,126,977</u>	<u>2,908,316</u>	<u>1,532,581</u>	<u>9,527,094</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,531,740</u>	<u>\$ 3,126,977</u>	<u>\$ 2,908,316</u>	<u>\$ 1,857,837</u>	<u>\$ 12,424,870</u>

See notes to financial statements.

TOWN OF WHITMAN, MASSACHUSETTS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET ASSETS OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2007

Total governmental fund balances	\$ 9,527,094
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	24,572,000
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,929,547
<ul style="list-style-type: none">• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(6,121)
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, compensated absences, and landfill liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(3,052,037)</u>
Net assets of governmental activities	<u><u>\$ 32,970,483</u></u>

See notes to financial statements.

TOWN OF WHITMAN, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2007

	<u>General</u>	Debt Appropriation <u>Fund</u>	Stabilization <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:					
Property taxes	\$ 15,857,436	\$ -	\$ -	\$ -	\$ 15,857,436
Excises	1,488,152	-	-	-	1,488,152
Penalties, interest, and other taxes	139,488	-	-	117,854	257,342
Charges for services	1,311,469	-	-	689,876	2,001,345
Intergovernmental	4,318,522	-	-	80,492	4,399,014
Licenses and permits	185,104	-	-	-	185,104
Fines and forfeitures	3,141	-	-	-	3,141
Investment income	269,239	-	82,508	23,678	375,425
Miscellaneous	179,602	-	-	9,136	188,738
Total Revenues	23,752,153	-	82,508	921,036	24,755,697
Expenditures:					
Current:					
General government	1,628,920	-	-	65,257	1,694,177
Public safety	4,841,086	-	-	62,398	4,903,484
Education	10,923,706	-	-	-	10,923,706
Public works	2,738,450	-	-	5,417	2,743,867
Health and human services	367,981	-	-	13,999	381,980
Culture and recreation	341,366	-	-	137,335	478,701
Employee benefits	2,586,020	-	-	-	2,586,020
Miscellaneous	-	-	-	6,054	6,054
Debt service	310,176	-	-	-	310,176
Intergovernmental	156,033	-	-	-	156,033
Total Expenditures	23,893,738	-	-	290,460	24,184,198
Excess (deficiency) of revenues over expenditures	(141,585)	-	82,508	630,576	571,499
Other Financing Sources (Uses):					
Transfers in	1,861,941	713,469	687,000	14,781	3,277,191
Transfers out	(1,953,885)	(1,148,469)	-	(504,578)	(3,606,932)
Total Other Financing Sources (Uses)	(91,944)	(435,000)	687,000	(489,797)	(329,741)
Change in fund balance	(233,529)	(435,000)	769,508	140,779	241,758
Fund Equity, at Beginning of Year, as restated	2,192,749	3,561,977	2,138,808	1,391,802	9,285,336
Fund Equity, at End of Year	\$ 1,959,220	\$ 3,126,977	\$ 2,908,316	\$ 1,532,581	\$ 9,527,094

See notes to financial statements.

TOWN OF WHITMAN, MASSACHUSETTS

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 241,758																		
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay purchases</td> <td style="text-align: right;">855,669</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(1,797,969)</td> </tr> <tr> <td>Loss on disposals of capital outlay</td> <td style="text-align: right;">(12,833)</td> </tr> </table> • Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (e.g., property taxes) differ between the two statements. This amount represents the net change in deferred revenue. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(587,562)</td> </tr> </table> • The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets: <table border="0" style="margin-left: 40px;"> <tr> <td>Issuance of debt</td> <td style="text-align: right;">(36,841)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">198,858</td> </tr> </table> • In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(359)</td> </tr> </table> • Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table border="0" style="margin-left: 40px;"> <tr> <td>Compensated absences</td> <td style="text-align: right;">(4,170)</td> </tr> <tr> <td>Capital leases</td> <td style="text-align: right;"><u>78,309</u></td> </tr> </table> 		Capital outlay purchases	855,669	Depreciation	(1,797,969)	Loss on disposals of capital outlay	(12,833)		(587,562)	Issuance of debt	(36,841)	Repayments of debt	198,858		(359)	Compensated absences	(4,170)	Capital leases	<u>78,309</u>
Capital outlay purchases	855,669																		
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Repayments of debt	198,858																		
	(359)																		
Compensated absences	(4,170)																		
Capital leases	<u>78,309</u>																		
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>(1,065,140)</u>																		

See notes to financial statements.

TOWN OF WHITMAN, MASSACHUSETTS

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES,
AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues and other sources:				
Property taxes	\$ 15,845,703	\$ 15,845,703	\$ 15,845,703	\$ -
Excise taxes	1,748,140	1,748,140	1,488,152	(259,988)
Interest, penalties, and other taxes	102,125	102,125	142,628	40,503
Licenses and permits	217,000	217,000	185,104	(31,896)
Intergovernmental	3,624,107	3,624,107	3,645,638	21,531
Charges for services	1,312,421	1,312,421	1,311,469	(952)
Investment income	207,000	207,000	269,239	62,239
Other revenues	-	-	179,602	179,602
Transfers in	1,843,061	1,872,561	1,891,942	19,381
Other Sources	2,687	1,241,287	1,241,287	-
Total Revenues	24,902,244	26,170,344	26,200,764	30,420
Expenditures and other uses:				
General government	1,595,924	1,922,725	1,796,708	126,017
Public safety	5,023,855	5,055,852	4,832,580	223,272
Education	10,426,218	10,626,637	10,577,924	48,713
Public works	2,877,552	2,882,172	2,808,867	73,305
Health and human services	356,170	378,753	367,690	11,063
Culture and recreation	328,094	361,529	357,238	4,291
Debt service	310,293	310,293	310,176	117
Intergovernmental	154,308	154,308	156,033	(1,725)
Employee benefits	2,509,849	2,471,714	2,586,169	(114,455)
Transfers out	1,232,724	1,939,104	1,953,885	(14,781)
Other uses	87,257	67,257	67,257	-
Total Expenditures	24,902,244	26,170,344	25,814,528	355,816
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 386,236	\$ 386,236

See notes to financial statements.

TOWN OF WHITMAN, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2007

	Business-Type Activities Enterprise Funds		<u>Total</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>	
<u>ASSETS</u>			
Current:			
Cash and short-term investments	\$ 1,371,058	\$ 1,765,455	\$ 3,136,513
Investments	-	524,398	524,398
User fees, net of allowance for uncollectibles	626,703	388,546	1,015,249
Intergovernmental receivables	68,488	-	68,488
Other assets	-	110,708	110,708
Total current assets	<u>2,066,249</u>	<u>2,789,107</u>	<u>4,855,356</u>
Noncurrent:			
Intergovernmental receivables	1,656,103	-	1,656,103
Capital assets not being depreciated	2,046	1,739,569	1,741,615
Capital assets, net of accumulated depreciation	<u>9,868,421</u>	<u>24,774,600</u>	<u>34,643,021</u>
Total noncurrent assets	<u>11,526,570</u>	<u>26,514,169</u>	<u>38,040,739</u>
TOTAL ASSETS	13,592,819	29,303,276	42,896,095
<u>LIABILITIES</u>			
Current:			
Accounts payable	-	125,400	125,400
Due to other governments	213,510	-	213,510
Accrued liabilities	126,410	24,304	150,714
Other current liabilities	-	20,292	20,292
Current portion of long-term liabilities:			
Bonds payable	<u>350,210</u>	<u>520,000</u>	<u>870,210</u>
Total current liabilities	<u>690,130</u>	<u>689,996</u>	<u>1,380,126</u>
Noncurrent:			
Bonds payable, net of current portion	<u>6,255,919</u>	<u>1,205,000</u>	<u>7,460,919</u>
Total noncurrent liabilities	<u>6,255,919</u>	<u>1,205,000</u>	<u>7,460,919</u>
TOTAL LIABILITIES	6,946,049	1,894,996	8,841,045
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	3,264,338	24,789,169	28,053,507
Unrestricted	<u>3,382,432</u>	<u>2,619,111</u>	<u>6,001,543</u>
TOTAL NET ASSETS	\$ <u>6,646,770</u>	\$ <u>27,408,280</u>	\$ <u>34,055,050</u>

See notes to financial statements.

TOWN OF WHITMAN, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2007

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for services	\$ 1,381,985	\$ 885,450	\$ 2,267,435
Total Operating Revenues	1,381,985	885,450	2,267,435
Operating Expenses:			
Personnel	265,899	240,178	506,077
Non personnel	890,839	112,963	1,003,802
Depreciation	129,453	781,563	911,016
Capital outlay	-	149,433	149,433
Other	-	110,708	110,708
Total Operating Expenses	1,286,191	1,394,845	2,681,036
Operating Income (Loss)	95,794	(509,395)	(413,601)
Nonoperating Revenues (Expenses):			
Intergovernmental revenue	212,356	26,224	238,580
Investment income	58,825	125,854	184,679
Interest expense	(328,511)	(82,188)	(410,699)
Total Nonoperating Revenues (Expenses), Net	(57,330)	69,890	12,560
Income (Loss) Before Transfers	38,464	(439,505)	(401,041)
Transfers:			
Transfers in	96,526	628,381	724,907
Transfers out	(160,677)	(234,489)	(395,166)
Change in Net Assets	(25,687)	(45,613)	(71,300)
Net Assets at Beginning of Year	6,672,457	27,453,893	34,126,350
Net Assets at End of Year	\$ 6,646,770	\$ 27,408,280	\$ 34,055,050

See notes to financial statements.

TOWN OF WHITMAN, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2007

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<u>Cash Flows From Operating Activities:</u>			
Receipts from customers and users	\$ 1,546,420	\$ 959,737	\$ 2,506,157
Payments to vendors	(890,839)	(449,234)	(1,340,073)
Payments to employees	(193,499)	(240,178)	(433,677)
Net Cash Provided By Operating Activities	462,082	270,325	732,407
<u>Cash Flows From Noncapital Financing Activities:</u>			
Intergovernmental revenues	212,356	26,224	238,580
Transfer in	96,526	628,381	724,907
Transfer out	(160,677)	(234,489)	(395,166)
Net Cash Provided by Noncapital Financing Activities	148,205	420,116	568,321
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Acquisition and construction of capital assets	-	(919,294)	(919,294)
Principal payments on bonds and notes	(339,975)	(530,000)	(869,975)
Interest expense	(328,593)	(89,255)	(417,848)
Net Cash (Used For) Capital and Related Financing Activities	(668,568)	(1,538,549)	(2,207,117)
<u>Cash Flows From Investing Activities:</u>			
Investment income	58,825	125,854	184,679
Net Cash Provided by Investing Activities	58,825	125,854	184,679
Net Change in Cash and Short-Term Investments	544	(722,254)	(721,710)
Cash and Short-Term Investments, Beginning of Year	1,370,514	2,487,709	3,858,223
Cash and Short-Term Investments, End of Year	\$ 1,371,058	\$ 1,765,455	\$ 3,136,513
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>			
Operating income (loss)	\$ 95,794	\$ (509,396)	\$ (413,602)
Adjustments to reconcile operating income(loss) to net cash provided by (used for) operating activities:			
Depreciation	129,453	781,563	911,016
Changes in assets and liabilities:			
User fees	164,435	74,287	238,722
Warrants payable	72,400	(312,503)	(240,103)
Other assets	-	110,708	110,708
Other liabilities	-	125,666	125,666
Net Cash Provided By (Used For) Operating Activities	\$ 462,082	\$ 270,325	\$ 732,407

See notes to financial statements.

TOWN OF WHITMAN, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2007

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<u>ASSETS</u>		
Cash and short-term investments	\$ 252,031	\$ 113,789
Investments	<u>98,833</u>	<u>-</u>
Total Assets	350,864	113,789
 <u>LIABILITIES AND NET ASSETS</u>		
Other liabilities	<u>-</u>	<u>113,789</u>
Total Liabilities	<u>-</u>	<u>113,789</u>
 <u>NET ASSETS</u>		
Net assets	<u>\$ 350,864</u>	<u>\$ -</u>

See notes to financial statements.

TOWN OF WHITMAN, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Private Purpose Trust Funds</u>
Additions:	
Investment income (loss):	\$ <u>43,270</u>
Total additions	43,270
Deductions:	
Other	<u>21,590</u>
Total deductions	<u>21,590</u>
Net increase (decrease)	21,680
Net assets:	
Beginning of year	<u>329,184</u>
End of year	<u><u>\$ 350,864</u></u>

See notes to financial statements.

TOWN OF WHITMAN MASSACHUSETTS

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Whitman (the "Town") conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The government is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2007, it was determined that no entities met the required GASB-39 criteria of component units.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual govern-

mental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is 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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *debt appropriation fund* is used as a reserve for monies that the Board of Selectmen votes to set aside to repay long-term debt.

- The *stabilization fund* is used to account for funds set aside for tax rate stabilization purposes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

The government reports the following major proprietary funds:

- The *water fund* is used to account for the operation of Town wells and the Town Water System.
- The *sewer fund* is used to account for the operation of Town sewer lines and treatment plants.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *agency funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. *Agency funds* report only assets and liabilities, and therefore, have no measurement focus.

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Trust Funds consist of marketable securities, bonds and short-term money market investments. Investments are carried at market value.

F. Property Tax Limitations

The Town has limited the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2.5 percent (excluding new growth), unless an override is voted. The actual fiscal year 2007 tax levy reflected an excess capacity of \$ 632,281.

G. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. No significant inventory balances were on hand in governmental funds.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$ 10,000 and an esti-

mated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	30 - 75
Vehicles	5
Machinery, equipment and furnishings	5

I. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

K. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

L. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. **Stewardship, Compliance, and Accountability**

A. Budgetary Information

At the annual town meeting, the Finance Committee presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by town meeting, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at special town meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the Finance Committee is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund and Proprietary Funds. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

B. Budgetary Basis

The General Fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final

amended budget after all reserve fund transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the general and proprietary funds is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison with budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 23,752,153	\$ 23,893,738
Other financing sources/uses (GAAP basis)	<u>1,861,941</u>	<u>1,953,885</u>
Subtotal (GAAP Basis)	25,614,094	25,847,623
Adjust tax revenue to accrual basis	(11,733)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(99,296)
Add end of year appropriation carryforwards to expenditures	-	641,828
To record raising of prior years' overlay deficits		67,257
To record timing difference	30,000	30,000
To record use of free cash	1,201,287	-
To record use of other sources	40,000	-
To reverse the effect of non- budgeted State contributions for police, fire, and teachers retirement	<u>(672,884)</u>	<u>(672,884)</u>
Budgetary basis	<u>\$ 26,200,764</u>	<u>\$ 25,814,528</u>

D. Excess of Expenditures Over Appropriations

Expenditures exceeding appropriations during the current fiscal year were as follows:

Employee Benefits	\$ (114,455)
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E. Deficit Fund Equity

The following funds had deficits as of June 30, 2007:

Nonmajor Funds:

Massachusetts Historical Presentation Park Lighting	\$ (24,411)
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The deficit in this fund will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

3. **Cash and Short-Term Investments**

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. Massachusetts General Law Chapter 44, Section 55, limits the Town's deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess."

Massachusetts General Law Chapter 32, Section 23, limits the System's deposits "in a bank or trust company to an amount not exceeding ten percent of the capital and surplus of such bank or trust company." The Town does not have a deposit policy for custodial credit risk.

As of June 30, 2007, \$ 4,997,790 of the Town's bank balance of \$ 10,319,749 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the Town's name.

4. **Investments**

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the Town's investments to

the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below is the actual rating as of year end for each investment of the Town (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u> <u>Aaa</u>
Corporate bonds	\$ 499	\$ 499	\$ -
Mutual funds	100	100	-
Federal agency securities	<u>2,132</u>	<u>-</u>	<u>2,132</u>
Total investments	<u>\$ 2,731</u>	<u>\$ 599</u>	<u>\$ 2,132</u>

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) 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 a policy for custodial credit risk.

C. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. Investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments are as follows:

Federal Home Loan Bank	\$ 1,012,283
Federal Home Loan Mortgage Corp.	697,439
Federal National Mortgage Assoc.	322,266

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Debt Related Securities:					
Federal agency securities	\$ 2,132	\$ -	\$ 1,437	\$ 695	\$ -
Total	\$ 2,132	\$ -	\$ 1,437	\$ 695	\$ -

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have a policy for foreign currency risk.

5. Taxes Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The Town has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2007 consist of the following (in thousands):

Real Estate			
2007	\$	414	
2006		123	
2005		55	
2004		16	
Prior		<u>18</u>	
			626
Personal Property			
2007	\$	4	
2006		4	
2005		4	
2004		5	
Prior		<u>34</u>	
			51
Tax Liens			434
Deferred Taxes			<u>36</u>
Total			<u>\$ 1,147</u>

6. Allowance for Doubtful Accounts

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts (in thousands):

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 226	\$ -
Excises	224	-
Departmental	54	-
User fees	-	78

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2007.

8. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 8,760	\$ 12	\$ -	\$ 8,772
Machinery, equipment, and furnishings	3,007	150	(187)	2,970
Vehicles	2,109	95	(211)	1,993
Infrastructure	<u>32,784</u>	<u>599</u>	<u>-</u>	<u>33,383</u>
Total capital assets, being depreciated	46,660	856	(398)	47,118
Less accumulated depreciation for:				
Buildings and improvements	(2,399)	(488)	-	(2,887)
Machinery, equipment, and furnishings	(1,796)	(437)	187	(2,046)
Vehicles	(985)	(153)	198	(940)
Infrastructure	<u>(17,823)</u>	<u>(720)</u>	<u>-</u>	<u>(18,543)</u>
Total accumulated depreciation	<u>(23,003)</u>	<u>(1,798)</u>	<u>385</u>	<u>(24,416)</u>
Total capital assets, being depreciated, net	23,657	(942)	(13)	22,702
Capital assets, not being depreciated:				
Land	1,754	-	-	1,754
Art and historical treasure	<u>115</u>	<u>-</u>	<u>-</u>	<u>115</u>
Total capital assets, not being depreciated	<u>1,869</u>	<u>-</u>	<u>-</u>	<u>1,869</u>
Governmental activities capital assets, net	<u>\$ 25,526</u>	<u>\$ (942)</u>	<u>\$ (13)</u>	<u>\$ 24,571</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,445	\$ -	\$ -	\$ 4,445
Machinery, equipment, and furnishings	90	180	-	270
Vehicles	275	24	-	299
Infrastructure	<u>37,793</u>	<u>5,936</u>	<u>-</u>	<u>43,729</u>
Total capital assets, being depreciated	42,603	6,140	-	48,743
Less accumulated depreciation for:				
Buildings and improvements	(1,747)	(111)	-	(1,858)
Machinery, equipment, and furnishings	(77)	(22)	-	(99)
Vehicles	(158)	(29)	-	(187)
Infrastructure	<u>(11,207)</u>	<u>(749)</u>	<u>-</u>	<u>(11,956)</u>
Total accumulated depreciation	<u>(13,189)</u>	<u>(911)</u>	<u>-</u>	<u>(14,100)</u>
Total capital assets, being depreciated, net	29,414	5,229	-	34,643
Capital assets, not being depreciated:				
Land	635	2	-	637
Construction in progress	<u>6,307</u>	<u>916</u>	<u>(6,118)</u>	<u>1,105</u>
Total capital assets, being depreciated, net	<u>6,942</u>	<u>918</u>	<u>(6,118)</u>	<u>1,742</u>
Business-type activities capital assets, net	<u>\$ 36,356</u>	<u>\$ 6,147</u>	<u>\$ (6,118)</u>	<u>\$ 36,385</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

Governmental Activities:	
General government	\$ 179
Public safety	393
Education	9
Public works	1,067
Culture and recreation	5
Other	<u>145</u>
Total depreciation expense - governmental activities	<u>\$ 1,798</u>
Business-Type Activities:	
Water	\$ 129
Sewer	<u>782</u>
Total depreciation expense - business-type activities	<u>\$ 911</u>

9. Warrants and Accounts Payable

Warrants payable represent 2007 expenditures paid by July 15, 2007. Accounts payable represent additional 2007 expenditures paid after July 15, 2007.

10. Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the General Fund *deferred revenues* account is equal to the total of all June 30, 2007 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections.

11. Capital Lease Obligations

The Town is the lessee of certain equipment under capital and operating leases expiring in various years through 2011. Future minimum lease payments under the capital and operating leases consisted of the following as of June 30, 2007:

	Governmental Activities
2008	\$ 151,862
2009	132,088
2010	110,675
2011	<u>110,675</u>
Total minimum lease payments	505,300
Less: amount representing interest	<u>(48,336)</u>
Present Value of Minimum Lease Payments	<u>\$ 456,964</u>

12. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/07
<u>Governmental Activities:</u>			
General obligation - police, fire, town hall	06/15/20	4.34%	\$ 2,365,000
MWPAT and DW	08/01/19	5.17%	50,064
MWPAT and DW	08/01/24	5.17%	<u>36,841</u>
Total Governmental Activities:			<u>\$ 2,451,905</u>
	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/07
<u>Business-Type Activities:</u>			
General obligation - water	06/15/20	4.34%	\$ 545,000
MWPAT and DW - water	08/01/22	4.92%	4,502,560
MWPAT and DW - water	08/01/20	5.23%	1,558,569
Sewer refunding bonds	05/15/08	4.91%	255,000
Sewer refunding bonds	01/15/13	3.375%	<u>1,470,000</u>
Total Business-Type Activities:			<u>\$ 8,331,129</u>

B. Future Debt Service

The annual principal payments to retire all general obligation long-term debt outstanding as of June 30, 2007 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 200,910	\$ 106,970	\$ 307,880
2009	200,910	98,651	299,561
2010	200,910	90,136	291,046
2011	190,936	81,855	272,791
2012	190,936	73,709	264,645
2013-2017	944,554	241,421	1,185,975
2018-2022	516,738	40,325	557,063
2023-2027	6,011	447	6,458
Total	<u>\$ 2,451,905</u>	<u>\$ 733,514</u>	<u>\$ 3,185,419</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 870,210	\$ 376,810	\$ 1,247,020
2009	615,793	339,428	955,221
2010	619,585	313,784	933,369
2011	618,794	288,819	907,613
2012	622,866	261,772	884,638
2013-2017	2,353,291	857,144	3,210,435
2018-2022	2,277,278	312,955	2,590,233
2023-2027	353,312	8,833	362,145
Total	<u>\$ 8,331,129</u>	<u>\$ 2,759,545</u>	<u>\$ 11,090,674</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2007, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/06</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/07</u>	Less Current <u>Portion</u>	Equals Long-Term Portion <u>6/30/07</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 2,614	\$ 37	\$ (199)	\$ 2,452	\$ (201)	\$ 2,251
Other:						
Capital leases	535	60	(138)	457	(131)	326
Compensated absences	<u>139</u>	<u>4</u>	<u>-</u>	<u>143</u>	<u>(7)</u>	<u>136</u>
Subtotal	<u>674</u>	<u>64</u>	<u>(138)</u>	<u>600</u>	<u>(138)</u>	<u>462</u>
Totals	<u>\$ 3,288</u>	<u>\$ 101</u>	<u>\$ (337)</u>	<u>\$ 3,052</u>	<u>\$ (339)</u>	<u>\$ 2,713</u>
	Total Balance <u>7/1/06</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/07</u>	Less Current <u>Portion</u>	Equals Long-Term Portion <u>6/30/07</u>
<u>Business-Type Activities</u>						
Bonds payable	<u>\$ 9,201</u>	<u>\$ -</u>	<u>\$ (870)</u>	<u>\$ 8,331</u>	<u>\$ (870)</u>	<u>\$ 7,461</u>
Totals	<u>\$ 9,201</u>	<u>\$ -</u>	<u>\$ (870)</u>	<u>\$ 8,331</u>	<u>\$ (870)</u>	<u>\$ 7,461</u>

13. Restricted Net Assets

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors or contributors are placed on net assets.

Permanent fund restricted net assets are segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

14. Reserves of Fund Equity

“Reserves” of fund equity are established to segregate fund balances which are either not available for expenditure in the future or are legally set aside for a specific future use.

The following types of reserves are reported at June 30, 2007:

Reserved for Encumbrances and Continuing Appropriations - An account used to segregate that portion of fund balance committed for expenditure of financial resources upon vendor performance.

Reserved for Expenditures - Represents the amount of fund balance appropriated to be used for expenditures in the subsequent year budget.

Reserved for Permanent Perpetual Funds - Represents the principal of the nonexpendable trust fund investments. The balance cannot be spent for any purpose; however, it may be invested and the earnings may be spent.

15. Commitments and Contingencies

Outstanding Lawsuits - There are several pending lawsuits in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

In addition, the Town is involved in a dispute with the City of Brockton over wastewater treatment plant charges. The Town has engaged in negotiations with the City of Brockton and the matter is currently pending.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount 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.

16. Post-Employment Health Care and Life Insurance Benefits

The Town has accepted Chapter 32B of Massachusetts General Laws to provide for health care and life insurance benefits to retirees, their dependents, or their survivors. These benefits are provided through the Town's group plans. The cost of these benefits is included in the total cost of benefits for both active and retired employees.

As of June 30, 2007, there were approximately 100 retirees, in addition to eligible spouses and families, receiving health care and life insurance benefits. The Town recognizes the cost of providing these benefits as paid. These costs totaled approximately \$ 521,000 at fiscal year ended June 30, 2007.

17. Pension Plan

The Town follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, with respect to the employees' retirement funds.

A. Plan Description

The Town contributes to the Plymouth County Retirement System (the "System"), a cost-sharing multiple-employer, defined benefit pension plan administered by a county retirement board. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan and grant cost-of-living increases to the State legislature. The System issues a publicly available financial report that can be obtained through the Plymouth County Retirement System at 10 Cordage Park Circle, Suite 234, Plymouth, Massachusetts 02360.

B. Funding Policy

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the remaining system-wide actuarially determined contribution plus administration costs which are apportioned among the employers based on active covered payroll. The contributions of plan members and the Town are governed by Chapter 32 of the Massachusetts General Laws. The Town's contributions to the System for the years ended June 30, 2007, 2006, and 2005 were \$ 953,013, \$ 855,736, and \$ 790,339 respectively, which were equal to its annual required contributions for each of these years.

C. Teachers

As required by State statutes, teachers of the Town are covered by the Massachusetts Teachers Retirement System (MTRS). The MTRS is funded by contributions from covered employees and the Commonwealth of Massachusetts. The Town is not required to contribute.

All persons employed on at least a half-time basis, who are covered under a contractual agreement requiring certification by the Board of Education are eligible, and must participate in the MTRS.

Based on the Commonwealth of Massachusetts' retirement laws, employees covered by the pension plan must contribute a percentage of gross earnings into the pension fund. The percentage is determined by the participant's date of entry into the system and gross earnings, up to \$ 30,000, as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7% *
January 1, 1984 - June 30, 1996	8% *
July 1, 1996 - June 30, 2001	9% *
Beginning July 1, 2001	11%

*Effective January 1, 1990, all participants hired after January 1, 1979, who have not elected to increase to 11%, contribute an additional 2% of salary in excess of \$ 30,000.

The Town's current year covered payroll for teachers and administrators was unavailable.

In fiscal year 2007, the Commonwealth of Massachusetts contributed \$ 672,884 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

18. 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; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

19. Beginning Fund Balance Reclassification

The Town's major governmental funds for fiscal year 2007, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided (in thousands):

	Fund Equity 6/30/06 (as previously reported)	Reclassification	Fund Equity 6/30/06 (as restated)
General Fund	\$ 2,193	\$ -	\$ 2,193
Debt Service Fund	3,562	-	3,562
Stabilization Fund	-	2,139	2,139
Nonmajor Funds	<u>3,530</u>	<u>(2,139)</u>	<u>1,391</u>
Total	\$ <u>9,285</u>	\$ <u>-</u>	\$ <u>9,285</u>