

**TOWN OF WHITMAN, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2008**

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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, 2008, 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, 2008, 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 accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation

*Additional Offices:*

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

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

*Melanson Hartzel + Company P.C.*

Andover, Massachusetts  
April 21, 2009

## **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, 2008. 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 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 accounting principles generally accepted in the United States of America.

**B. FINANCIAL HIGHLIGHTS**

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$ 64,547 (i.e., net assets), a change of \$ (2,478) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 7,975, a change of \$ (1,552) in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 574, a change of \$ (271) in comparison with the prior year.
- Total bonds payable at the close of the current fiscal year was \$ 9,712, a change of \$ (1,071) 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>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 10,891	\$ 11,923	\$ 6,151	\$ 6,511	\$ 17,042	\$ 18,434
Capital assets	23,093	24,571	35,700	36,385	58,793	60,956
Total assets	<u>33,984</u>	<u>36,494</u>	<u>41,851</u>	<u>42,896</u>	<u>75,835</u>	<u>79,390</u>
Long-term liabilities outstanding	2,615	3,052	7,461	8,331	10,076	11,383
Other liabilities	928	472	284	510	1,212	982
Total liabilities	<u>3,543</u>	<u>3,524</u>	<u>7,745</u>	<u>8,841</u>	<u>11,288</u>	<u>12,365</u>
Net assets:						
Invested in capital assets, net	20,477	21,663	28,239	28,053	48,716	49,716
Restricted	3,941	4,513	-	-	3,941	4,513
Unrestricted	<u>6,023</u>	<u>6,794</u>	<u>5,867</u>	<u>6,002</u>	<u>11,890</u>	<u>12,796</u>
Total net assets	<u>\$ 30,441</u>	<u>\$ 32,970</u>	<u>\$ 34,106</u>	<u>\$ 34,055</u>	<u>\$ 64,547</u>	<u>\$ 67,025</u>

**CHANGES IN NET ASSETS**

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,189	\$ 2,190	\$ 2,741	\$ 2,268	\$ 4,930	\$ 4,458
Operating grants and contributions	1,001	974	22	26	1,023	1,000
Capital grants and contributions	-	737	-	-	-	737
General revenues:						
Property taxes	16,461	15,296	-	-	16,461	15,296
Excises	1,729	1,461	-	-	1,729	1,461
Penalties and interest on taxes	249	257	-	-	249	257
Grants and contributions not restricted to specific programs	2,729	2,659	199	212	2,928	2,871
Investment income	340	375	157	185	497	560
Other	52	181	-	-	52	181
<b>Total revenues</b>	<u>24,750</u>	<u>24,130</u>	<u>3,119</u>	<u>2,691</u>	<u>27,869</u>	<u>26,821</u>
<b>Expenses:</b>						
General government*	4,395	4,462	-	-	4,395	4,462
Public safety	5,451	5,124	-	-	5,451	5,124
Education	12,843	10,933	-	-	12,843	10,933
Public works	2,985	3,068	-	-	2,985	3,068
Human services	430	387	-	-	430	387
Culture and recreation	626	624	-	-	626	624
Interest on long-term debt	102	112	-	-	102	112
Intergovernmental	172	156	-	-	172	156
Water	-	-	1,668	1,615	1,668	1,615
Sewer	-	-	1,675	1,477	1,675	1,477
<b>Total expenses</b>	<u>27,004</u>	<u>24,866</u>	<u>3,343</u>	<u>3,092</u>	<u>30,347</u>	<u>27,958</u>
Change in net assets before transfers	(2,254)	(736)	(224)	(401)	(2,478)	(1,137)
Transfers in (out)	(275)	(330)	275	330	-	-
Increase(Decrease) in net assets	(2,529)	(1,066)	51	(71)	(2,478)	(1,137)
Net assets - beginning 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>
Net assets - end of year	<u>\$ 30,441</u>	<u>\$ 32,970</u>	<u>\$ 34,106</u>	<u>\$ 34,055</u>	<u>\$ 64,547</u>	<u>\$ 67,025</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 \$ 64,547, a change of \$ (2,478) from the prior year.

The largest portion of net assets \$ 48,716 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 \$ 3,941 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 11,891 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 \$ (2,530). Key elements of this change are as follows:

General fund expenditures in excess of revenues	\$ (2,142)
Nonmajor governmental fund revenues over expenditures	864
Depreciation in excess of debt service expense	(1,404)
Other	<u>152</u>
Total	<u>\$ (2,530)</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net assets of \$ 51. Key elements of this change are as follows:

Water operations	\$ 119
Sewer operations	<u>(68)</u>
Total	<u>\$ 51</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 \$ 7,975, a change of \$ (1,552) 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	\$ (427)
Debt appropriation fund transfers out in excess of revenues and transfers in	(651)
Stabilization fund transfers out in excess of revenues and transfers in	(558)
Special revenue fund revenues and transfers in in excess of expenditures and transfers out	80
Other	<u>4</u>
Total	<u>\$ (1,552)</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 \$ 574, while total fund balance was \$ 1,553. 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 2.2 percent of total general fund expenditures, while total fund balance represents 5.9 percent of that same amount.

The fund balance of the general fund changed by \$ (426) during the current fiscal year. Key factors in this change are as follows:

Use of fund balance and other sources	\$ (827)
Revenues in excess of budget	111
Expenditures less than budget	222
Other	<u>68</u>
Total	<u>\$ (426)</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 \$ 5,868, a change of \$ 134 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 \$ 1,462. Major reasons for these amendments include:

- \$ 29 appropriated for the purchase, installation and training of Police Software, funded by transfers.
- \$ 41 appropriated for the purchase of equipment for various town departments, funded by taxes, transfers and free cash.
- \$ 1,350 appropriated for school demolition, funded by transfers and free cash.
- \$ 42 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 \$ 58,792 (net of accumulated depreciation), a change of \$ (2,164) 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:

- 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 \$ 9,712, 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

JUNE 30, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 6,679,328	\$ 3,257,750	\$ 9,937,078
Investments	2,211,154	-	2,211,154
Receivables, net of allowance for uncollectibles:			
Property taxes	567,642	-	567,642
Excises	161,271	-	161,271
User fees	204,636	1,237,418	1,442,054
Departmental and other	350,807	-	350,807
Intergovernmental	40,705	73,569	114,274
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	676,104	-	676,104
Intergovernmental	-	1,582,533	1,582,533
Capital assets not being depreciated	1,869,408	2,021,115	3,890,523
Capital assets, net of accumulated depreciation	<u>21,223,192</u>	<u>33,678,577</u>	<u>54,901,769</u>
<b>TOTAL ASSETS</b>	<b>33,984,247</b>	<b>41,850,962</b>	<b>75,835,209</b>
<b>LIABILITIES</b>			
Current:			
Warrants payable	707,006	-	707,006
Due to other governments	-	124,512	124,512
Accrued liabilities	215,864	138,546	354,410
Other current liabilities	5,186	20,561	25,747
Current portion of long-term liabilities:			
Bonds payable	200,910	615,793	816,703
Other liabilities	136,422	-	136,422
Noncurrent:			
Bonds payable, net of current portion	2,050,085	6,845,126	8,895,211
Other liabilities, net of current portion	<u>227,832</u>	<u>-</u>	<u>227,832</u>
<b>TOTAL LIABILITIES</b>	<b>3,543,305</b>	<b>7,744,538</b>	<b>11,287,843</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	20,477,351	28,238,773	48,716,124
Restricted for:			
Grants and other statutory restrictions	3,692,932	-	3,692,932
Permanent funds:			
Nonexpendable	19,498	-	19,498
Expendable	228,244	-	228,244
Unrestricted	<u>6,022,917</u>	<u>5,867,651</u>	<u>11,890,568</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>30,440,942</u></b>	<b>\$ <u>34,106,424</u></b>	<b>\$ <u>64,547,366</u></b>

See notes to financial statements.

TOWN OF WHITMAN, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

	<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>
<b>Governmental Activities:</b>							
General government	\$ 1,842,750	\$ 409,754	\$ 46,495	\$ -	\$ (1,386,501)	\$ -	\$ (1,386,501)
Public safety	5,450,596	567,506	58,651	-	(4,824,439)	-	(4,824,439)
Education	12,843,110	-	822,339	-	(12,020,771)	-	(12,020,771)
Public works	2,985,187	1,156,755	4,609	-	(1,823,823)	-	(1,823,823)
Health and human services	429,831	8,329	12,650	-	(408,852)	-	(408,852)
Culture and recreation	625,699	46,353	56,592	-	(522,754)	-	(522,754)
Employee benefits	2,552,519	-	-	-	(2,552,519)	-	(2,552,519)
Interest	102,490	-	-	-	(102,490)	-	(102,490)
Intergovernmental	171,624	-	-	-	(171,624)	-	(171,624)
<b>Total Governmental Activities</b>	<b>27,003,806</b>	<b>2,188,697</b>	<b>1,001,336</b>	<b>-</b>	<b>(23,813,773)</b>	<b>-</b>	<b>(23,813,773)</b>
<b>Business-Type Activities:</b>							
Water services	1,667,664	1,608,931	-	-	-	(58,733)	(58,733)
Sewer services	1,675,200	1,132,513	21,863	-	-	(520,824)	(520,824)
<b>Total Business-Type Activities</b>	<b>3,342,864</b>	<b>2,741,444</b>	<b>21,863</b>	<b>-</b>	<b>-</b>	<b>(579,557)</b>	<b>(579,557)</b>
<b>Total</b>	<b>\$ 30,346,670</b>	<b>\$ 4,930,141</b>	<b>\$ 1,023,199</b>	<b>\$ -</b>	<b>(23,813,773)</b>	<b>(579,557)</b>	<b>(24,393,330)</b>
<b>General Revenues and Transfers:</b>							
Property taxes					16,460,584	-	16,460,584
Excises					1,728,506	-	1,728,506
Penalties, interest and other taxes					249,242	-	249,242
Grants and contributions not restricted to specific programs					2,728,603	199,509	2,928,112
Investment income					339,922	156,786	496,708
Miscellaneous					52,012	-	52,012
Transfers, net					(274,636)	274,636	-
<b>Total general revenues and transfers</b>					<b>21,284,233</b>	<b>630,931</b>	<b>21,915,164</b>
<b>Change in Net Assets</b>					<b>(2,529,540)</b>	<b>51,374</b>	<b>(2,478,166)</b>
<b>Net Assets:</b>							
<b>Beginning of year</b>					<b>32,970,482</b>	<b>34,055,050</b>	<b>67,025,532</b>
<b>End of year</b>					<b>\$ 30,440,942</b>	<b>\$ 34,106,424</b>	<b>\$ 64,547,366</b>

See notes to financial statements.

TOWN OF WHITMAN, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2008

<b>ASSETS</b>	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Cash and short-term investments	\$ 2,448,511	\$ 4,230,817	\$ 6,679,328
Investments	-	2,211,154	2,211,154
Receivables:			
Property taxes	1,416,833	-	1,416,833
Excises	281,790	-	281,790
User fees	204,636	-	204,636
Departmental and other	-	404,631	404,631
Intergovernmental	<u>40,705</u>	<u>-</u>	<u>40,705</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 4,392,475</u></b>	<b><u>\$ 6,846,602</u></b>	<b><u>\$ 11,239,077</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Warrants payable	\$ 707,006	\$ -	\$ 707,006
Deferred revenues	1,937,423	404,631	2,342,054
Other liabilities	<u>215,407</u>	<u>-</u>	<u>215,407</u>
<b>TOTAL LIABILITIES</b>	<b>2,859,836</b>	<b>404,631</b>	<b>3,264,467</b>
Fund Balances:			
Reserved for:			
Encumbrances and continuing appropriations	958,369	-	958,369
Perpetual (unexpendable) permanent funds	-	19,498	19,498
Unreserved:			
Undesignated, reported in:			
General fund	574,270	-	574,270
Special revenue funds	-	6,194,229	6,194,229
Permanent funds	<u>-</u>	<u>228,244</u>	<u>228,244</u>
<b>TOTAL FUND BALANCES</b>	<b><u>1,532,639</u></b>	<b><u>6,441,971</u></b>	<b><u>7,974,610</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 4,392,475</u></b>	<b><u>\$ 6,846,602</u></b>	<b><u>\$ 11,239,077</u></b>

TOWN OF WHITMAN, MASSACHUSETTS  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
BALANCES TO NET ASSETS OF GOVERNMENTAL  
ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2008

<b>Total governmental fund balances</b>	\$ 7,974,610
<ul style="list-style-type: none"><li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li></ul>	23,092,600
<ul style="list-style-type: none"><li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li></ul>	1,994,624
<ul style="list-style-type: none"><li>• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li></ul>	(5,643)
<ul style="list-style-type: none"><li>• 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.</li></ul>	<u>(2,615,249)</u>
<b>Net assets of governmental activities</b>	<u>\$ 30,440,942</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, 2008

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Revenues:</b>			
Property taxes	\$ 16,498,537	\$ -	\$ 16,498,537
Excises	1,625,477	-	1,625,477
Penalties, interest, and other taxes	144,704	104,538	249,242
Charges for services	1,343,294	689,012	2,032,306
Intergovernmental	3,607,307	94,235	3,701,542
Licenses and permits	153,799	-	153,799
Fines and forfeitures	2,591	-	2,591
Investment income	163,094	176,829	339,923
Contributions	-	28,396	28,396
Miscellaneous	<u>49,882</u>	<u>2,131</u>	<u>52,013</u>
Total Revenues	23,588,685	1,095,141	24,683,826
<b>Expenditures:</b>			
Current:			
General government	1,598,891	40,433	1,639,324
Public safety	5,221,005	61,729	5,282,734
Education	12,833,919	-	12,833,919
Public works	2,243,047	7,503	2,250,550
Health and human services	408,722	22,882	431,604
Culture and recreation	396,916	98,604	495,520
Employee benefits	2,552,519	-	2,552,519
Debt service	303,879	-	303,879
Intergovernmental	<u>171,624</u>	<u>-</u>	<u>171,624</u>
Total Expenditures	<u>25,730,522</u>	<u>231,151</u>	<u>25,961,673</u>
Excess (deficiency) of revenues over expenditures	(2,141,837)	863,990	(1,277,847)
<b>Other Financing Sources (Uses):</b>			
Transfers in	2,484,529	203,477	2,688,006
Transfers out	<u>(769,273)</u>	<u>(2,193,370)</u>	<u>(2,962,643)</u>
Total Other Financing Sources (Uses)	<u>1,715,256</u>	<u>(1,989,893)</u>	<u>(274,637)</u>
Change in fund balance	(426,581)	(1,125,903)	(1,552,484)
Fund Equity, at Beginning of Year, as restated	<u>1,959,220</u>	<u>7,567,874</u>	<u>9,527,094</u>
Fund Equity, at End of Year	<u>\$ 1,532,639</u>	<u>\$ 6,441,971</u>	<u>\$ 7,974,610</u>

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, 2008

**NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ (1,552,484)

- 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:

Capital outlay purchases	169,327
Depreciation	(1,605,135)
Loss on disposals of capital outlay	(43,591)

- 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.

65,076

- 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:

Repayments of debt	200,910
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- In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.

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- 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.

Compensated absences	143,170
Capital leases	<u>92,709</u>

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** \$ (2,529,540)

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, 2008

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>Revenues and other sources:</b>				
Property taxes	\$ 16,556,519	\$ 16,555,315	\$ 16,555,315	\$ -
Excise taxes	1,352,650	1,352,650	1,625,477	272,827
Interest, penalties, and other taxes	131,450	131,450	147,295	15,845
Licenses and permits	180,000	180,000	153,799	(26,201)
Intergovernmental	3,160,807	3,160,807	2,940,027	(220,780)
Charges for services	1,241,508	1,241,508	1,343,294	101,786
Investment income	259,100	259,100	163,094	(96,006)
Other revenues	-	-	49,882	49,882
Transfers in	1,706,334	2,471,137	2,484,530	13,393
Other Sources	128,600	827,148	827,148	-
<b>Total Revenues</b>	<b>24,716,968</b>	<b>26,179,115</b>	<b>26,289,861</b>	<b>110,746</b>
<b>Expenditures and other uses:</b>				
General government	1,683,231	1,728,929	1,556,342	172,587
Public safety	5,232,519	5,279,360	5,233,412	45,948
Education	10,611,744	11,991,998	11,983,333	8,665
Public works	2,439,142	2,465,357	2,490,681	(25,324)
Health and human services	401,444	414,444	409,546	4,898
Culture and recreation	471,607	484,898	482,617	2,281
Debt service	302,493	304,545	303,879	666
Intergovernmental	162,091	162,091	171,624	(9,533)
Employee benefits	2,621,883	2,577,883	2,555,102	22,781
Transfers out	789,635	768,431	769,273	(842)
Other uses	1,179	1,179	1,179	-
<b>Total Expenditures</b>	<b>24,716,968</b>	<b>26,179,115</b>	<b>25,956,988</b>	<b>222,127</b>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 332,873</u>	<u>\$ 332,873</u>

See notes to financial statements.

TOWN OF WHITMAN, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2008

	<u>Business-Type Activities</u> <u>Enterprise Funds</u>		
	<u>Water</u> <u>Fund</u>	<u>Sewer</u> <u>Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Current:			
Cash and short-term investments	\$ 1,198,278	\$ 2,059,472	\$ 3,257,750
User fees, net of allowance for uncollectibles	722,174	515,244	1,237,418
Intergovernmental receivables	<u>73,569</u>	<u>-</u>	<u>73,569</u>
Total current assets	1,994,021	2,574,716	4,568,737
Noncurrent:			
Intergovernmental receivables	1,582,533	-	1,582,533
Capital assets not being depreciated	2,046	2,019,069	2,021,115
Capital assets, net of accumulated depreciation	<u>9,687,928</u>	<u>23,990,649</u>	<u>33,678,577</u>
Total noncurrent assets	<u>11,272,507</u>	<u>26,009,718</u>	<u>37,282,225</u>
<b>TOTAL ASSETS</b>	<b>13,266,528</b>	<b>28,584,434</b>	<b>41,850,962</b>
<b><u>LIABILITIES</u></b>			
Current:			
Due to other governments	124,512	-	124,512
Accrued liabilities	119,906	18,640	138,546
Other current liabilities	-	20,561	20,561
Current portion of long-term liabilities:			
Bonds payable	<u>360,793</u>	<u>255,000</u>	<u>615,793</u>
Total current liabilities	605,211	294,201	899,412
Noncurrent:			
Bonds payable, net of current portion	<u>5,895,126</u>	<u>950,000</u>	<u>6,845,126</u>
Total noncurrent liabilities	<u>5,895,126</u>	<u>950,000</u>	<u>6,845,126</u>
<b>TOTAL LIABILITIES</b>	<b>6,500,337</b>	<b>1,244,201</b>	<b>7,744,538</b>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	3,434,055	24,804,718	28,238,773
Unrestricted	<u>3,332,136</u>	<u>2,535,515</u>	<u>5,867,651</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>6,766,191</u></b>	<b>\$ <u>27,340,233</u></b>	<b>\$ <u>34,106,424</u></b>

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, 2008

	Business-Type Activities Enterprise Funds		Total
	Water Fund	Sewer Fund	
<b>Operating Revenues:</b>			
Charges for services	\$ <u>1,608,931</u>	\$ <u>1,132,513</u>	\$ <u>2,741,444</u>
Total Operating Revenues	1,608,931	1,132,513	2,741,444
<b>Operating Expenses:</b>			
Personnel	276,926	242,537	519,463
Non personnel	894,745	379,238	1,273,983
Depreciation	180,493	783,951	964,444
Capital outlay	11,529	98,094	109,623
Other	<u>-</u>	<u>110,709</u>	<u>110,709</u>
Total Operating Expenses	<u>1,363,693</u>	<u>1,614,529</u>	<u>2,978,222</u>
Operating Income (Loss)	245,238	(482,016)	(236,778)
<b>Nonoperating Revenues (Expenses):</b>			
Intergovernmental revenue	199,509	21,863	221,372
Investment income	41,806	114,980	156,786
Interest expense	<u>(303,971)</u>	<u>(60,671)</u>	<u>(364,642)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(62,656)</u>	<u>76,172</u>	<u>13,516</u>
Income (Loss) Before Transfers	182,582	(405,844)	(223,262)
<b>Transfers:</b>			
Transfers in	88,886	565,796	654,682
Transfers out	<u>(152,047)</u>	<u>(227,999)</u>	<u>(380,046)</u>
Change in Net Assets	119,421	(68,047)	51,374
Net Assets at Beginning of Year	<u>6,646,770</u>	<u>27,408,280</u>	<u>34,055,050</u>
Net Assets at End of Year	\$ <u><u>6,766,191</u></u>	\$ <u><u>27,340,233</u></u>	\$ <u><u>34,106,424</u></u>

See notes to financial statements.

TOWN OF WHITMAN, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2008

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b><u>Cash Flows From Operating Activities:</u></b>			
Receipts from customers and users	\$ 1,581,949	\$ 1,005,816	\$ 2,587,765
Payments to vendors	(995,272)	(602,464)	(1,597,736)
Payments to employees	(276,926)	(242,537)	(519,463)
Net Cash Provided By Operating Activities	309,751	160,815	470,566
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>			
Intergovernmental revenues	199,509	21,863	221,372
Transfer in	88,886	565,796	654,682
Transfer out	(152,047)	(227,999)	(380,046)
Net Cash Provided by Noncapital Financing Activities	136,348	359,660	496,008
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>			
Acquisition and construction of capital assets, net of disposals	-	(279,500)	(279,500)
Principal payments on bonds and notes	(350,210)	(520,000)	(870,210)
Interest expense	(310,475)	(66,335)	(376,810)
Net Cash (Used For) Capital and Related Financing Activities	(660,685)	(865,835)	(1,526,520)
<b><u>Cash Flows From Investing Activities:</u></b>			
Investment income	41,806	114,980	156,786
Net Cash Provided by Investing Activities	41,806	114,980	156,786
Net Change in Cash and Short-Term Investments	(172,780)	(230,380)	(403,160)
Cash and Short-Term Investments, Beginning of Year	1,371,058	2,289,852	3,660,910
Cash and Short-Term Investments, End of Year	\$ 1,198,278	\$ 2,059,472	\$ 3,257,750
<b><u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u></b>			
Operating income (loss)	\$ 245,238	\$ (482,016)	\$ (236,778)
Adjustments to reconcile operating income(loss) to net cash provided by (used for) operating activities:			
Depreciation	180,493	783,951	964,444
Changes in assets and liabilities:			
User fees	(26,982)	(126,698)	(153,680)
Warrants payable	(88,998)	-	(88,998)
Other assets	-	110,708	110,708
Other liabilities	-	(125,130)	(125,130)
Net Cash Provided By (Used For) Operating Activities	\$ 309,751	\$ 160,815	\$ 470,566

See notes to financial statements.

TOWN OF WHITMAN, MASSACHUSETTS  
 FIDUCIARY FUNDS  
 STATEMENT OF FIDUCIARY NET ASSETS  
 JUNE 30, 2008

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<b><u>ASSETS</u></b>		
Cash and short-term investments	\$ 229,354	\$ 56,353
Investments	<u>103,327</u>	<u>-</u>
Total Assets	332,681	56,353
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
Other liabilities	<u>-</u>	<u>56,353</u>
Total Liabilities	<u>-</u>	<u>56,353</u>
 <b><u>NET ASSETS</u></b>		
Net assets	\$ <u><u>332,681</u></u>	\$ <u><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, 2008

	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>	
Investment income (loss):	\$ (9,498)
Total additions	<u>(9,498)</u>
<b>Deductions:</b>	
Other	<u>8,685</u>
Total deductions	<u>8,685</u>
Net (decrease)	(18,183)
<b>Net assets:</b>	
Beginning of year	<u>350,864</u>
End of year	<u>\$ 332,681</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 2008, 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 fund:

- 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.

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 2008 tax levy reflected an excess capacity of \$ 28,708.

*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 estimated 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)	\$ 23,588,685	\$ 25,730,522
Other financing sources/uses (GAAP basis)	<u>2,484,529</u>	<u>769,273</u>
Subtotal (GAAP Basis)	26,073,214	26,499,795
Adjust tax revenue to accrual basis	56,779	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(456,095)
Add end of year appropriation carryforwards to expenditures	-	579,389
To record raising of prior years' overlay deficits	-	1,179
To record use of free cash	692,148	-
To record use of other sources	135,000	-
To reverse the effect of non- budgeted State contributions for teachers' retirement	<u>(667,280)</u>	<u>(667,280)</u>
Budgetary basis	<u>\$ 26,289,861</u>	<u>\$ 25,956,988</u>

D. Excess of Expenditures Over Appropriations

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

Snow and Ice	\$ (129,281)
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**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, 2008, \$ 6,140,108 of the Town's bank balance of \$ 10,476,466 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 (in thousands) is the actual rating as of year end for each investment of the Town (All federal agency securities have an implied credit rating of AAA.):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>			
			<u>Aaa</u>	<u>A1</u>	<u>A3</u>	<u>N/A</u>
Corporate bonds	\$ 391	\$ -	\$ -	\$ 140	\$ 252	\$ -
Corporate equities	167	167	-	-	-	-
Federal agency securities	1,440	-	1,440	-	-	-
Certificates of deposit	316	-	-	-	-	316
<b>Total investments</b>	<b>\$ 2,314</b>	<b>\$ 167</b>	<b>\$ 1,440</b>	<b>\$ 140</b>	<b>\$ 252</b>	<b>\$ 316</b>

**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. As of June 30, 2008, none of the Town's investments were exposed to custodial credit risk. 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	\$ 533,751
Federal Home Loan Mortgage Corp.	727,628
Federal National Mortgage Assoc.	179,031
International Lease Fin. Mtn.	139,670
Verizon Penn Notes	251,760

**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>
Debt Related Securities:				
Federal agency securities	\$ 1,440	\$ -	\$ 1,365	\$ 75
Corporate Bonds	391	-	391	-
Certificates of deposit	<u>316</u>	<u>65</u>	<u>251</u>	<u>-</u>
Total	<u>\$ 2,147</u>	<u>\$ 65</u>	<u>\$ 2,007</u>	<u>\$ 75</u>

*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, 2008 consist of the following (in thousands):

Real Estate		
2008	\$	535
2007		122
2006		13
2005		8
Prior		<u>4</u>
		682
Personal Property		
2008	\$	5
2007		3
2006		4
2005		3
Prior		<u>11</u>
		26
Tax Liens		466
Deferred Taxes		33
Foreclosures		<u>210</u>
Total	\$	<u><u>1,417</u></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	\$ 173	\$ -
Excises	121	-
Departmental	54	-
User fees	-	86

#### 7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2008.

#### 8. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 8,772	\$ 25	\$ -	\$ 8,797
Machinery, equipment, and furnishings	2,971	82	-	3,053
Vehicles	1,993	62	(57)	1,998
Infrastructure	<u>33,383</u>	<u>-</u>	<u>-</u>	<u>33,383</u>
Total capital assets, being depreciated	47,119	169	(57)	47,231
Less accumulated depreciation for:				
Buildings and improvements	(2,887)	(489)	-	(3,376)
Machinery, equipment, and furnishings	(2,046)	(232)	-	(2,278)
Vehicles	(940)	(156)	13	(1,083)
Infrastructure	<u>(18,543)</u>	<u>(728)</u>	<u>-</u>	<u>(19,271)</u>
Total accumulated depreciation	<u>(24,416)</u>	<u>(1,605)</u>	<u>13</u>	<u>(26,008)</u>
Total capital assets, being depreciated, net	22,703	(1,436)	(44)	21,223
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>\$ 24,572</u>	<u>\$ (1,436)</u>	<u>\$ (44)</u>	<u>\$ 23,092</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,445	\$ -	\$ -	\$ 4,445
Machinery, equipment, and furnishings	270	-	-	270
Vehicles	299	-	-	299
Infrastructure	<u>43,729</u>	<u>-</u>	<u>-</u>	<u>43,729</u>
Total capital assets, being depreciated	48,743	-	-	48,743
Less accumulated depreciation for:				
Buildings and improvements	(1,858)	(111)	-	(1,969)
Machinery, equipment, and furnishings	(99)	(40)	-	(139)
Vehicles	(187)	(31)	-	(218)
Infrastructure	<u>(11,956)</u>	<u>(782)</u>	<u>-</u>	<u>(12,738)</u>
Total accumulated depreciation	<u>(14,100)</u>	<u>(964)</u>	<u>-</u>	<u>(15,064)</u>
Total capital assets, being depreciated, net	34,643	(964)	-	33,679
Capital assets, not being depreciated:				
Land	637	-	-	637
Construction in progress	<u>1,105</u>	<u>333</u>	<u>(54)</u>	<u>1,384</u>
Total capital assets, being depreciated, net	<u>1,742</u>	<u>333</u>	<u>(54)</u>	<u>2,021</u>
Business-type activities capital assets, net	<u>\$ 36,385</u>	<u>\$ (631)</u>	<u>\$ (54)</u>	<u>\$ 35,700</u>

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

Governmental Activities:	
General government	\$ 182
Public safety	368
Education	9
Public works	904
Culture and recreation	138
Health and Human Services	<u>4</u>
Total depreciation expense - governmental activities	<u>\$ 1,605</u>
Business-Type Activities:	
Water	\$ 180
Sewer	<u>784</u>
Total depreciation expense - business-type activities	<u>\$ 964</u>

**9. Warrants Payable**

Warrants payable represent 2008 expenditures paid by July 15, 2008.

**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, 2008 receivable balances, except for receivable balances related to the regional school district and housing authority.

**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, 2008:

	Governmental <u>Activities</u>
2009	\$ 153,059
2010	131,648
2011	<u>110,675</u>
Total minimum lease payments	395,382
Less: amount representing interest	<u>(31,128)</u>
Present Value of Minimum Lease Payments	<u>\$ 364,254</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:

<u>Governmental Activities:</u>	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/08
General obligation - police, fire, town hall	06/15/20	4.34%	\$ 2,170,000
MWPAT and DW	08/01/19	5.17%	46,206
MWPAT and DW	08/01/24	5.17%	<u>34,789</u>
Total Governmental Activities:			<u>\$ 2,250,995</u>
<u>Business-Type Activities:</u>	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/08
General obligation - water	06/15/20	4.34%	\$ 505,000
MWPAT and DW - water	08/01/22	4.92%	4,281,479
MWPAT and DW - water	08/01/20	5.23%	1,469,440
Sewer refunding bonds	01/15/13	3.375%	<u>1,205,000</u>
Total Business-Type Activities:			<u>\$ 7,460,919</u>

**B. Future Debt Service**

The annual principal payments to retire all general obligation long-term debt outstanding as of June 30, 2008 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	190,936	65,368	256,304
2014-2018	929,491	197,936	1,127,427
2019-2023	342,924	18,691	361,615
2024-2028	<u>3,952</u>	<u>197</u>	<u>4,149</u>
Total	<u>\$ 2,250,995</u>	<u>\$ 626,543</u>	<u>\$ 2,877,538</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 615,793	\$ 339,428	\$ 955,221
2010	619,585	313,785	933,370
2011	618,794	288,820	907,614
2012	622,866	261,772	884,638
2013	623,565	234,529	858,094
2014-2018	2,203,276	726,359	2,929,635
2019-2023	<u>2,157,040</u>	<u>218,043</u>	<u>2,375,083</u>
Total	<u>\$ 7,460,919</u>	<u>\$ 2,382,736</u>	<u>\$ 9,843,655</u>

**C. Changes in General Long-Term Liabilities**

During the year ended June 30, 2008, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/07</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/08</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/08</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 2,452	\$ -	\$ (201)	\$ 2,251	\$ (201)	\$ 2,050
Other:						
Capital leases	457	59	(152)	364	(136)	228
Compensated absences	143	-	(143)	-	-	-
Subtotal	<u>600</u>	<u>59</u>	<u>(295)</u>	<u>364</u>	<u>(136)</u>	<u>228</u>
Totals	\$ <u>3,052</u>	\$ <u>59</u>	\$ <u>(496)</u>	\$ <u>2,615</u>	\$ <u>(337)</u>	\$ <u>2,278</u>
	Total Balance <u>7/1/07</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/08</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/08</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ <u>8,331</u>	\$ -	\$ (870)	\$ 7,461	\$ (616)	\$ 6,845
Totals	\$ <u>8,331</u>	\$ -	\$ (870)	\$ <u>7,461</u>	\$ (616)	\$ <u>6,845</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, 2008:

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 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. **Subsequent Events**

### Investments

Since September, 2008, the stock market suffered significant losses. As a result, there may be a substantial depreciation in the value of the organization's investments.

## 16. **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.

## 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. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and the State legislature has the authority to grant cost-of-living increases. The System issues a publicly available financial report which can be obtained through the Plymouth County Retirement System at 10 Cordage Park Circle, Suite 234, Plymouth, Massachusetts 02360.

### 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, 2008, 2007, and 2006 were \$ 1,081,481, \$ 953,013, and \$ 855,736, respectively, which were equal to its annual required contributions for each of these years. The payroll for employees covered by the System for the year ended June 30, 2008 was unknown.

*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 2008, the Commonwealth of Massachusetts contributed \$ 667,280 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

## **18. Post-Employment Health Care and Life Insurance Benefits**

In addition to the pension benefits described in a previous note, the Town provides post-employment health care and life insurance benefits, in accordance with state statute, to participating retirees. Approximately 100 retirees meet the eligibility requirements as set forth in Chapter 32B of Massachusetts General Laws. Presently the Town finances these benefits on the pay-as-you-go basis and does not contribute to a qualified plan (trust) as defined by *GASB Statement No. 43 Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*.

*GASB Statement No. 45, Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* is effective June 30, 2009.

The Town plans to fully implement GASB 45 in fiscal 2009.

## **19. 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.

## **20. Beginning Fund Balance Reclassification**

The Town's major governmental funds for fiscal year 2008, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided (in thousands):

	Fund Equity 6/30/07 (as previously <u>reported</u> )	<u>Reclassification</u>	Fund Equity 6/30/07 (as restated)
General Fund	\$ 1,959	\$ -	\$ 1,959
Debt Service Fund	3,127	(3,127)	-
Stabilization Fund	2,908	(2,908)	-
Nonmajor Funds	<u>1,533</u>	<u>6,035</u>	<u>7,568</u>
Total	\$ <u>9,527</u>	\$ <u>-</u>	\$ <u>9,527</u>