

TOWN OF WHITMAN, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2012

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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, 2012, 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, 2012, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Funding Progress – OPEB be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial

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reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Melanson, Heath + Company P.C.
January 10, 2013

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, 2012. 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 is 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 \$ 62,188 (i.e., net assets), a change of \$ 1,474 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$ 9,322, a change of \$ 360 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 1,861, a change of \$ 555 in comparison to the prior year.
- Total bonds payable at the close of the current fiscal year was \$ 16,479, a change of \$ (1,566) 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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 11,552	\$ 12,365	\$ 9,592	\$ 9,045	\$ 21,144	\$ 21,410
Capital assets	27,736	27,385	32,652	33,562	60,388	60,947
Total assets	<u>39,288</u>	<u>39,750</u>	<u>42,244</u>	<u>42,607</u>	<u>81,532</u>	<u>82,357</u>
Long-term liabilities outstanding	13,202	13,439	5,501	6,387	18,703	19,826
Other liabilities	534	1,693	107	124	641	1,817
Total liabilities	<u>13,736</u>	<u>15,132</u>	<u>5,608</u>	<u>6,511</u>	<u>19,344</u>	<u>21,643</u>
Net assets:						
Invested in capital assets, net	17,009	16,566	27,150	27,175	44,159	43,741
Restricted	1,724	1,831	-	-	1,724	1,831
Unrestricted	6,819	6,221	9,486	8,921	16,305	15,142
Total net assets	<u>\$ 25,552</u>	<u>\$ 24,618</u>	<u>\$ 36,636</u>	<u>\$ 36,096</u>	<u>\$ 62,188</u>	<u>\$ 60,714</u>

CHANGES IN NET ASSETS

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,301	\$ 2,455	\$ 3,918	\$ 4,341	\$ 6,219	\$ 6,796
Operating grants and contributions	1,225	1,266	-	-	1,225	1,266
Capital grants and contributions	-	-	50	17	50	17
General revenues:						
Property taxes	19,054	17,450	-	-	19,054	17,450
Excises	1,366	1,324	-	-	1,366	1,324
Penalties and interest on taxes	184	131	-	-	184	131
Grants and contributions not restricted to specific programs	2,157	2,138	152	164	2,309	2,302
Investment income	50	213	16	16	66	229
Other	64	131	-	-	64	131
Total revenues	<u>26,401</u>	<u>25,108</u>	<u>4,136</u>	<u>4,538</u>	<u>30,537</u>	<u>29,646</u>
Expenses:						
General government*	5,024	5,219	-	-	5,024	5,219
Public safety	5,231	5,968	-	-	5,231	5,968
Education	11,584	11,263	-	-	11,584	11,263
Public works	2,104	3,913	-	-	2,104	3,913
Human services	540	531	-	-	540	531
Culture and recreation	488	612	-	-	488	612
Interest on long-term debt	427	261	-	-	427	261
Intergovernmental	165	168	-	-	165	168
Water	-	-	2,193	1,888	2,193	1,888
Sewer	-	-	1,307	1,281	1,307	1,281
Total expenses	<u>25,563</u>	<u>27,935</u>	<u>3,500</u>	<u>3,169</u>	<u>29,063</u>	<u>31,104</u>
Change in net assets before transfers	838	(2,827)	636	1,369	1,474	(1,458)
Transfers in (out)	<u>96</u>	<u>88</u>	<u>(96)</u>	<u>(88)</u>	<u>-</u>	<u>-</u>
Increase(Decrease) in net assets	934	(2,739)	540	1,281	1,474	(1,458)
Net assets - beginning of year	<u>24,618</u>	<u>27,357</u>	<u>36,096</u>	<u>34,815</u>	<u>60,714</u>	<u>62,172</u>
Net assets - end of year	<u>\$ 25,552</u>	<u>\$ 24,618</u>	<u>\$ 36,636</u>	<u>\$ 36,096</u>	<u>\$ 62,188</u>	<u>\$ 60,714</u>

*Includes 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 \$ 62,188, a change of \$ 1,474 from the prior year.

The largest portion of net assets \$ 44,159 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 \$ 1,724 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$ 16,304 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 \$ 934. Key elements of this change are as follows:

General fund expenditures in excess of revenues	\$ (322)
Nonmajor governmental fund revenues over expenditures	547
Depreciation in excess of debt service expense	(1,143)
Current year change in net OPEB obligation	(383)
Capital assets additions from current year revenues	2,214
Other	<u>21</u>
Total	\$ <u><u>934</u></u>

Business-type activities. Business-type activities for the year resulted in a change in net assets of \$ 540. Key elements of this change are as follows:

Water operations	\$ 96
Sewer operations	<u>444</u>
Total	\$ <u><u>540</u></u>

This increase in sewer operations primarily results from revenues recognized in anticipation of a cost allocation settlement with the City of Brockton.

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, unassigned 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 \$ 9,322, a change of \$ 360 in comparison to the prior year. Key elements of this change are as follows:

General fund expenditures in excess of revenues	\$ (322)
Capital project fund expenditures in excess of revenues	(527)
Special revenue fund revenues over expenditures, (mostly ambulance fund)	1,076
Other	<u>133</u>
Total	<u>\$ 360</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 1,861, while total fund balance was \$ 6,884. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/12</u>	<u>6/30/11</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 1,861	\$ 1,306	\$ 555	7.3%
Total fund balance ¹	6,884	6,230	654	27.1%

¹ Includes stabilization fund.

The total fund balance of the general fund changed by \$ 654 during the current fiscal year. Key factors in this change are as follows:

Use of free cash and overlay surplus as a funding source	\$ (1,135)
Increase in stabilization	183
Revenues in excess of budget	239
Expenditures less than budget	1,145
Other	<u>222</u>
Total	<u>\$ 654</u>

Included in the total general fund balance is the Town's stabilization accounts with the following balances:

	<u>6/30/12</u>	<u>6/30/11</u>	<u>Change</u>
General stabilization	\$ 2,515	\$ 2,486	\$ 29
Capital stabilization	1,364	1,210	154
Technology stabilization	<u>10</u>	<u>10</u>	<u>-</u>
Total	<u>\$ 3,889</u>	<u>\$ 3,706</u>	<u>\$ 183</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 \$ 9,485, a change of \$ 565 in comparison to 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 \$ 60. Major reasons for these amendments include:

- \$ 60 appropriated for the payment of fire department expenditures, funded by the Ambulance Fund.

The Town also transferred certain appropriations between departments and transfers out.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$ 60,388 (net of accumulated depreciation), a change of \$ (559) from the prior year. This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, and infrastructure.

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

- Police Station Renovations
- Town Hall Renovations
- Annual Depreciation expense

Additional information on capital assets can be found in the Notes to the Financial Statements.

Change in credit rating. During the fiscal year, the Moody's credit rating of Aa3 did not change.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$ 16,479, 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 Notes 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:

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, 2012

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 7,362,769	\$ 6,572,934	\$ 13,935,703
Investments	2,428,439	-	2,428,439
Receivables, net of allowance for uncollectibles:			
Property taxes	564,453	-	564,453
Excises	162,844	-	162,844
User fees	219,044	1,697,298	1,916,342
Departmental and other	88,564	-	88,564
Intergovernmental	135,036	98,607	233,643
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	591,547	-	591,547
Intergovernmental	-	1,222,884	1,222,884
Capital assets not being depreciated	1,869,408	1,454,533	3,323,941
Capital assets, net of accumulated depreciation	<u>25,866,256</u>	<u>31,197,350</u>	<u>57,063,606</u>
TOTAL ASSETS	39,288,360	42,243,606	81,531,966
LIABILITIES			
Current:			
Warrants payable	290,369	-	290,369
Accrued liabilities	238,367	96,777	335,144
Other current liabilities	5,502	10,028	15,530
Current portion of long-term liabilities:			
Bonds payable	745,936	651,110	1,397,046
Other liabilities	155,149	-	155,149
Noncurrent:			
Bonds payable, net of current portion	10,231,367	4,850,313	15,081,680
Other liabilities, net of current portion	<u>2,069,340</u>	<u>-</u>	<u>2,069,340</u>
TOTAL LIABILITIES	13,736,030	5,608,228	19,344,258
NET ASSETS			
Invested in capital assets, net of related debt	17,009,449	27,150,460	44,159,909
Restricted for:			
Grants and other statutory restrictions	1,431,769	-	1,431,769
Permanent funds:			
Nonexpendable	15,091	-	15,091
Expendable	277,150	-	277,150
Unrestricted	<u>6,818,871</u>	<u>9,484,918</u>	<u>16,303,789</u>
TOTAL NET ASSETS	\$ <u>25,552,330</u>	\$ <u>36,635,378</u>	\$ <u>62,187,708</u>

See notes to financial statements.

TOWN OF WHITMAN, MASSACHUSETTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

	<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	\$ 1,749,875	\$ 446,196	\$ 39,794	\$ -	\$ (1,263,885)	\$ -	\$ (1,263,885)
Public safety	5,231,329	656,311	49,424	-	(4,525,594)	-	(4,525,594)
Education	11,583,777	-	674,001	-	(10,909,776)	-	(10,909,776)
Public works	2,104,010	1,120,227	400,904	-	(582,879)	-	(582,879)
Health and human services	539,591	14,585	13,434	-	(511,572)	-	(511,572)
Culture and recreation	488,231	63,471	47,650	-	(377,110)	-	(377,110)
Employee benefits	3,274,227	-	-	-	(3,274,227)	-	(3,274,227)
Interest	427,248	-	-	-	(427,248)	-	(427,248)
Intergovernmental	164,831	-	-	-	(164,831)	-	(164,831)
Total Governmental Activities	25,563,119	2,300,790	1,225,207	-	(22,037,122)	-	(22,037,122)
Business-Type Activities:							
Water services	2,192,904	2,320,529	-	-	-	127,625	127,625
Sewer services	1,307,081	1,597,342	-	49,864	-	340,125	340,125
Total Business-Type Activities	3,499,985	3,917,871	-	49,864	-	467,750	467,750
Total	\$ 29,063,104	\$ 6,218,661	\$ 1,225,207	\$ 49,864	(22,037,122)	467,750	(21,569,372)
General Revenues and Transfers:							
Property taxes					19,054,292	-	19,054,292
Excises					1,365,829	-	1,365,829
Penalties, interest and other taxes					184,239	-	184,239
Grants and contributions not restricted to specific programs					2,156,927	152,229	2,309,156
Investment income					49,768	16,000	65,768
Miscellaneous					63,925	-	63,925
Transfers, net					96,002	(96,002)	-
Total general revenues and transfers					22,970,982	72,227	23,043,209
Change in Net Assets					933,860	539,977	1,473,837
Net Assets:							
Beginning of year					24,618,470	36,095,401	60,713,871
End of year					\$ 25,552,330	\$ 36,635,378	\$ 62,187,708

See notes to financial statements.

TOWN OF WHITMAN, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2012

ASSETS	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Cash and short-term investments	\$ 4,985,812	\$ 2,376,958	\$ 7,362,770
Investments	2,367,073	61,366	2,428,439
Receivables:			
Property taxes	1,342,840	-	1,342,840
Excises	316,272	-	316,272
User fees	219,044	-	219,044
Departmental and other	-	167,296	167,296
Intergovernmental	135,036	-	135,036
TOTAL ASSETS	<u>\$ 9,366,077</u>	<u>\$ 2,605,620</u>	<u>\$ 11,971,697</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Warrants payable	\$ 290,369	\$ -	\$ 290,369
Accrued liabilities	90,889	-	90,889
Deferred revenues	2,011,262	167,297	2,178,559
Other liabilities	89,503	-	89,503
TOTAL LIABILITIES	2,482,023	167,297	2,649,320
Fund Balances:			
Nonspendable	-	15,091	15,091
Restricted	-	2,427,855	2,427,855
Committed	3,975,396	-	3,975,396
Assigned	1,047,930	-	1,047,930
Unassigned	1,860,728	(4,623)	1,856,105
TOTAL FUND BALANCES	<u>6,884,054</u>	<u>2,438,323</u>	<u>9,322,377</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,366,077</u>	<u>\$ 2,605,620</u>	<u>\$ 11,971,697</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

JUNE 30, 2012

Total governmental fund balances	\$ 9,322,377
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	27,735,664
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,759,559
<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.	(63,478)
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, capital lease payable, and other post employment benefits are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(13,201,792)</u>
Net assets of governmental activities	<u><u>\$ 25,552,330</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, 2012

	General Funds	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 19,063,710	\$ -	\$ 19,063,710
Excises	1,372,129	-	1,372,129
Penalties, interest, and other taxes	184,239	-	184,239
Charges for services	1,271,771	831,337	2,103,108
Intergovernmental	2,908,159	473,974	3,382,133
Licenses and permits	195,646	-	195,646
Investment income	45,433	4,335	49,768
Miscellaneous	<u>64,927</u>	<u>-</u>	<u>64,927</u>
Total Revenues	25,106,014	1,309,646	26,415,660
Expenditures:			
Current:			
General government	1,415,067	234,486	1,649,553
Public safety	5,432,183	375,491	5,807,674
Education	11,574,586	-	11,574,586
Public works	1,906,994	38,701	1,945,695
Health and human services	460,532	19,574	480,106
Culture and recreation	366,044	93,925	459,969
Employee benefits	2,892,118	-	2,892,118
Debt service	1,147,817	-	1,147,817
Intergovernmental	164,831	-	164,831
Miscellaneous	<u>69,241</u>	<u>-</u>	<u>69,241</u>
Total Expenditures	<u>25,429,413</u>	<u>762,177</u>	<u>26,191,590</u>
Excess (deficiency) of revenues over expenditures	(323,399)	547,469	224,070
Other Financing Sources (Uses):			
Proceeds of refunding bonds	1,450,000	-	1,450,000
Payments to escrow agent	(1,410,000)	-	(1,410,000)
Transfers in	1,219,037	29,121	1,248,158
Transfers out	<u>(281,934)</u>	<u>(870,222)</u>	<u>(1,152,156)</u>
Total Other Financing Sources (Uses)	<u>977,103</u>	<u>(841,101)</u>	<u>136,002</u>
Change in fund balance	653,704	(293,632)	360,072
Fund Equity, at Beginning of Year, as reclassified	<u>6,230,350</u>	<u>2,731,955</u>	<u>8,962,305</u>
Fund Equity, at End of Year	<u>\$ 6,884,054</u>	<u>\$ 2,438,323</u>	<u>\$ 9,322,377</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, 2012

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 360,072																		
<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;">2,214,243</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(1,863,583)</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;">(13,682)</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>Repayments of debt</td> <td style="text-align: right;">720,936</td> </tr> <tr> <td>Proceeds of refunding bonds</td> <td style="text-align: right;">(1,450,000)</td> </tr> <tr> <td>Payment to escrow agent</td> <td style="text-align: right;">1,410,000</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;">(368)</td> </tr> </table> • Some expenses reported in the Statement of Activities, such as OPEB liability, 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>Net OPEB obligation</td> <td style="text-align: right;">(382,109)</td> </tr> <tr> <td>Change in capital leases</td> <td style="text-align: right;"><u>(61,649)</u></td> </tr> </table> 		Capital outlay purchases	2,214,243	Depreciation	(1,863,583)		(13,682)	Repayments of debt	720,936	Proceeds of refunding bonds	(1,450,000)	Payment to escrow agent	1,410,000		(368)	Net OPEB obligation	(382,109)	Change in capital leases	<u>(61,649)</u>
Capital outlay purchases	2,214,243																		
Depreciation	(1,863,583)																		
	(13,682)																		
Repayments of debt	720,936																		
Proceeds of refunding bonds	(1,450,000)																		
Payment to escrow agent	1,410,000																		
	(368)																		
Net OPEB obligation	(382,109)																		
Change in capital leases	<u>(61,649)</u>																		
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u>933,860</u>																		

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, 2012

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 19,046,834	\$ 19,046,834	\$ 19,046,834	\$ -
Excise taxes	1,333,500	1,333,500	1,404,574	71,074
Interest, penalties, and other taxes	108,000	108,000	157,814	49,814
Licenses and permits	162,000	162,000	195,646	33,646
Intergovernmental	2,173,344	2,173,344	2,200,293	26,949
Charges for services	1,291,000	1,291,000	1,299,078	8,078
Investment income	32,000	32,000	12,861	(19,139)
Other revenues	213,790	148,090	211,615	63,525
Total Revenues	24,360,468	24,294,768	24,528,715	233,947
Expenditures:				
General government	2,031,958	1,984,766	1,403,170	581,596
Public safety	5,432,980	5,518,480	5,444,832	73,648
Education	10,984,905	11,002,697	11,002,349	348
Public works	2,193,250	2,193,250	1,914,842	278,408
Health and human services	473,218	476,368	457,008	19,360
Culture and recreation	375,366	346,955	337,633	9,322
Debt service	1,182,083	1,182,833	1,175,575	7,258
Intergovernmental	165,382	165,382	164,831	551
Employee benefits	3,108,414	3,108,414	2,892,264	216,150
Miscellaneous	-	-	2,110	(2,110)
Total Expenditures	25,947,556	25,979,145	24,794,614	1,184,531
Excess of revenues over expenditures	(1,587,088)	(1,684,377)	(265,899)	1,418,478
Other Financing Sources (Uses):				
Transfers in	1,153,855	1,213,855	1,219,037	5,182
Transfers out	(403,813)	(432,224)	(472,189)	(39,965)
Other sources	1,069,638	1,135,338	1,135,338	-
Other uses	(232,592)	(232,592)	(232,592)	-
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 1,383,695	\$ 1,383,695

See notes to financial statements.

TOWN OF WHITMAN, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<u>ASSETS</u>			
Current:			
Cash and short-term investments	\$ 1,206,132	\$ 5,366,802	\$ 6,572,934
User fees, net of allowance for uncollectibles	1,033,226	664,072	1,697,298
Intergovernmental receivables	<u>98,607</u>	<u>-</u>	<u>98,607</u>
Total current assets	2,337,965	6,030,874	8,368,839
Noncurrent:			
Intergovernmental receivables	1,222,884	-	1,222,884
Capital assets not being depreciated	2,046	1,452,487	1,454,533
Capital assets, net of accumulated depreciation	<u>9,057,369</u>	<u>22,139,981</u>	<u>31,197,350</u>
Total noncurrent assets	<u>10,282,299</u>	<u>23,592,468</u>	<u>33,874,767</u>
TOTAL ASSETS	12,620,264	29,623,342	42,243,606
<u>LIABILITIES</u>			
Current:			
Accrued liabilities	92,613	4,164	96,777
Other current liabilities	-	10,028	10,028
Current portion of long-term liabilities:			
Bonds payable	<u>403,565</u>	<u>247,545</u>	<u>651,110</u>
Total current liabilities	496,178	261,737	757,915
Noncurrent:			
Bonds payable, net of current portion	<u>4,360,317</u>	<u>489,996</u>	<u>4,850,313</u>
Total noncurrent liabilities	<u>4,360,317</u>	<u>489,996</u>	<u>4,850,313</u>
TOTAL LIABILITIES	4,856,495	751,733	5,608,228
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	4,295,533	22,854,927	27,150,460
Unrestricted	<u>3,468,236</u>	<u>6,016,682</u>	<u>9,484,918</u>
TOTAL NET ASSETS	<u>\$ 7,763,769</u>	<u>\$ 28,871,609</u>	<u>\$ 36,635,378</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, 2012

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for services	\$ 2,320,529	\$ 1,597,342	\$ 3,917,871
Total Operating Revenues	2,320,529	1,597,342	3,917,871
Operating Expenses:			
Personnel	279,369	260,499	539,868
Non personnel	1,507,336	158,287	1,665,623
Depreciation	158,638	801,476	960,114
Capital outlay	4,619	61,707	66,326
Other	13,735	2,114	15,849
Total Operating Expenses	1,963,697	1,284,083	3,247,780
Operating Income (Loss)	356,832	313,259	670,091
Nonoperating Revenues (Expenses):			
Intergovernmental revenue	152,229	-	152,229
Investment income	2,447	13,553	16,000
Interest expense	(229,207)	(22,998)	(252,205)
Total Nonoperating Revenues (Expenses), Net	(74,531)	(9,445)	(83,976)
Income (Loss) Before Transfer and Capital Contributions	282,301	303,814	586,115
Transfers in	-	252,813	252,813
Transfers out	(186,283)	(162,532)	(348,815)
Capital contributions	-	49,864	49,864
Change in Net Assets	96,018	443,959	539,977
Net Assets at Beginning of Year	7,667,751	28,427,650	36,095,401
Net Assets at End of Year	\$ 7,763,769	\$ 28,871,609	\$ 36,635,378

See notes to financial statements.

TOWN OF WHITMAN, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2012

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<u>Cash Flows From Operating Activities:</u>			
Receipts from customers and users	\$ 2,563,301	\$ 2,036,488	\$ 4,599,789
Payments to vendors	(1,525,690)	(222,109)	(1,747,799)
Payments to employees	<u>(279,369)</u>	<u>(260,497)</u>	<u>(539,866)</u>
Net Cash Provided By Operating Activities	758,242	1,553,882	2,312,124
<u>Cash Flows From Noncapital Financing Activities:</u>			
Intergovernmental revenues	244,293	49,864	294,157
Transfer in	-	252,813	252,813
Transfer out	<u>(186,283)</u>	<u>(162,532)</u>	<u>(348,815)</u>
Net Cash Provided by Noncapital Financing Activities	58,010	140,145	198,155
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Acquisition and construction of capital assets, net of disposals	-	(49,792)	(49,792)
Principal payments on bonds and notes	(732,866)	(1,015,736)	(1,748,602)
Proceeds of bonds	350,000	512,542	862,542
Interest expense	<u>(235,775)</u>	<u>(33,106)</u>	<u>(268,881)</u>
Net Cash (Used For) Capital and Related Financing Activities	(618,641)	(586,092)	(1,204,733)
<u>Cash Flows From Investing Activities:</u>			
Investment income	<u>2,446</u>	<u>13,553</u>	<u>15,999</u>
Net Cash Provided by Investing Activities	<u>2,446</u>	<u>13,553</u>	<u>15,999</u>
Net Change in Cash and Short-Term Investments	200,057	1,121,488	1,321,545
Cash and Short-Term Investments, Beginning of Year	<u>1,006,075</u>	<u>4,245,314</u>	<u>5,251,389</u>
Cash and Short-Term Investments, End of Year	<u>\$ 1,206,132</u>	<u>\$ 5,366,802</u>	<u>\$ 6,572,934</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>			
Operating income	\$ 356,832	\$ 313,259	\$ 670,091
Adjustments to reconcile operating income(loss) to net cash provided by (used for) operating activities:			
Depreciation	158,638	801,476	960,114
Changes in assets and liabilities:			
User fees	<u>242,772</u>	<u>439,147</u>	<u>681,919</u>
Net Cash Provided By Operating Activities	<u>\$ 758,242</u>	<u>\$ 1,553,882</u>	<u>\$ 2,312,124</u>

See notes to financial statements.

TOWN OF WHITMAN, MASSACHUSETTS
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2012

	<u>Other Post- Employment Benefits Trust Fund</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<u>ASSETS</u>			
Cash and short-term investments	\$ 1,002	\$ 272,443	\$ 304,478
Investments	<u>-</u>	<u>58,860</u>	<u>-</u>
Total Assets	1,002	331,303	304,478
 <u>LIABILITIES AND NET ASSETS</u>			
Other liabilities	<u>-</u>	<u>-</u>	<u>304,478</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>304,478</u>
 <u>NET ASSETS</u>			
Net assets	<u>\$ 1,002</u>	<u>\$ 331,303</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, 2012

	Other Post- Employment Benefits <u>Trust Fund</u>	Private Purpose <u>Trust Funds</u>
Additions:		
Contributions	\$ 1,000	\$ -
Investment income	<u>2</u>	<u>17,885</u>
Total additions	1,002	17,885
Deductions:		
Other	<u>-</u>	<u>6,020</u>
Total deductions	-	6,020
Net	1,002	11,865
Net assets:		
Beginning of year	<u>-</u>	<u>319,438</u>
End of year	<u>\$ 1,002</u>	<u>\$ 331,303</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 2012, 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 governmental 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 2012 tax levy reflected an excess capacity of \$ 3,591.

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. 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.

J. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net assets”.

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The Town’s fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e. perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., the Town Meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned and unassigned.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

K. 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 to 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)	\$ 25,106,014	\$ 25,429,413
Other financing sources/uses (GAAP Basis)	<u>2,669,037</u>	<u>1,691,934</u>
Subtotal (GAAP Basis)	27,775,051	27,121,347
Adjust tax revenue to accrual basis	(124,871)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(77,562)
Add end-of-year appropriation carryforwards from expenditures	-	43,774
To reverse nonbudgeted activity	149,209	207,321
Recognize other sources	1,135,337	232,592
To reverse the effect of refunding	(1,490,000)	(1,466,440)
To reverse the effect of non- budgeted State contributions for teachers retirement	<u>(561,637)</u>	<u>(561,637)</u>
Budgetary Basis	<u>\$ 26,883,089</u>	<u>\$ 25,499,395</u>

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."

As of June 30, 2012, \$ 3,494,006 of the Town's bank balance of \$ 14,553,761 was exposed to custodial credit risk as uninsured or uncollateralized. However, \$ 3,293,605 of the exposed balance was on deposit with Massachusetts Municipal Depository Trust (MMDT).

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 equities	\$ 120	\$ 120	\$ -	\$ -	\$ -	\$ -
Federal equities	3	3	-	-	-	-
U.S. Treasury notes	1,296	-	1,296	-	-	-
Certificates of deposits	730	-	-	-	-	730
Corporate bonds	175	-	-	126	49	-
Mutual funds	163	163	-	-	-	-
Total investments	<u>\$ 2,487</u>	<u>\$ 286</u>	<u>\$ 1,296</u>	<u>\$ 126</u>	<u>\$ 49</u>	<u>\$ 730</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.

Of the Town's investment of \$ 2,487,300, the government has a custodial credit risk exposure of \$ 1,757,257 because the related securities are uninsured, unregistered and held by the Town's brokerage firm, which is also the Counterparty to these securities. The Town manages this custodial credit risk with SIPC and excess SIPC.

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:

<u>Investment Issuer</u>	<u>Amount</u>
Federal Home Loan Mortgage Corp.	\$ 72
Federal National Mortgage Assoc.	1,099
Federal Home Loan Banks	<u>125</u>
Total	\$ <u><u>1,296</u></u>

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's investment policy states the Town will manage interest rate risk by managing duration in the account.

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>Investment Maturities (in Years)</u>		
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>
Debt-related Securities:			
Corporate bonds	\$ 175	\$ -	\$ 175
Certificates of deposit	730	152	578
U.S. Treasury notes	<u>1,296</u>	<u>-</u>	<u>1,296</u>
Total	\$ <u><u>2,201</u></u>	\$ <u><u>152</u></u>	\$ <u><u>2,049</u></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's policy for foreign currency risk states the Town will not invest in any investment exposed to 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, 2012 consist of the following (in thousands):

Real Estate			
2012	\$	483	
2011		139	
Prior		<u>9</u>	
			631
Personal Property			
2012		6	
2011		3	
Prior		<u>24</u>	
			33
Tax Liens			657
Deferrals			<u>22</u>
Total	\$		<u><u>1,343</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	\$ 187	\$ -
Excises	\$ 153	\$ -
Departmental	\$ 79	\$ -
User fees	\$ -	\$ 133

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2012.

8. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 16,971	\$ 1,144	\$ -	\$ 18,115
Machinery, equipment, furnishings, and vehicles	5,915	280	-	6,195
Infrastructure	<u>33,649</u>	<u>790</u>	<u>-</u>	<u>34,439</u>
Total capital assets, being depreciated	56,535	2,214	-	58,749
Less accumulated depreciation for:				
Buildings and improvements	(5,047)	(722)	-	(5,769)
Machinery, equipment, furnishings, and vehicles	(4,270)	(330)	-	(4,600)
Infrastructure	<u>(21,702)</u>	<u>(811)</u>	<u>-</u>	<u>(22,513)</u>
Total accumulated depreciation	<u>(31,019)</u>	<u>(1,863)</u>	<u>-</u>	<u>(32,882)</u>
Total capital assets, being depreciated, net	25,516	351	-	25,867
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>\$ 27,385</u>	<u>\$ 351</u>	<u>\$ -</u>	<u>\$ 27,736</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,817	\$ -	\$ -	\$ 4,817
Machinery, equipment, furnishings, and vehicles	695	-	-	695
Infrastructure	<u>44,675</u>	<u>-</u>	<u>-</u>	<u>44,675</u>
Total capital assets, being depreciated	50,187	-	-	50,187
Less accumulated depreciation for:				
Buildings and improvements	(2,325)	(120)	-	(2,445)
Machinery, equipment, furnishings, and vehicles	(580)	(46)	-	(626)
Infrastructure	<u>(15,124)</u>	<u>(794)</u>	<u>-</u>	<u>(15,918)</u>
Total accumulated depreciation	<u>(18,029)</u>	<u>(960)</u>	<u>-</u>	<u>(18,989)</u>
Total capital assets, being depreciated, net	32,158	(960)	-	31,198
Capital assets, not being depreciated:				
Land	637	-	-	637
Construction in progress	<u>767</u>	<u>50</u>	<u>-</u>	<u>817</u>
Total capital assets, not being depreciated	<u>1,404</u>	<u>50</u>	<u>-</u>	<u>1,454</u>
Business-type activities capital assets, net	<u>\$ 33,562</u>	<u>\$ (910)</u>	<u>\$ -</u>	<u>\$ 32,652</u>

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

Governmental Activities:	
General government	\$ 287
Public safety	531
Education	8
Public works	949
Culture and recreation	28
Health and human services	<u>60</u>
Total depreciation expense - governmental activities	<u>\$ 1,863</u>
Business-Type Activities:	
Water	\$ 159
Sewer	<u>801</u>
Total depreciation expense - business-type activities	<u>\$ 960</u>

9. Warrants Payable

Warrants payable represent 2012 expenditures paid by July 15, 2012.

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, 2012 receivable balances, except for receivable balances related to the regional school district and housing authority.

11. Anticipation Notes Payable

The Town had no anticipation notes outstanding at June 30, 2012.

12. Capital Lease Obligations

The Town is the lessee of certain equipment under capital leases expiring in various years through 2015. Future minimum lease payments under capital leases consisted of the following as of June 30, 2012:

<u>Fiscal Year</u>	<u>Governmental Activities</u>
2013	\$ 172,113
2014	148,733
2015	83,117
2016	<u>43,172</u>
Total minimum lease payments	447,135
Less amounts representing interest	<u>(32,453)</u>
Present Value of Minimum Lease Payments	<u>\$ 414,682</u>

13. 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>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/12</u>
MWPAT and DW	08/01/19	5.17%	\$ 30,722
MWPAT and DW	08/01/24	5.17%	26,581
General obligation - police, fire, town hall	06/01/30	3.00 - 5.00%	9,470,000
General obligation - refunding bond	12/15/19	1.00 - 1.50%	<u>1,450,000</u>
Total Governmental Activities:			<u>\$ 10,977,303</u>

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/12</u>
MWPAT and DW - water	08/01/22	4.92%	\$ 3,328,882
MWPAT and DW - water	08/01/20	5.23%	1,084,999
General obligation- water refunding	12/15/19	1.00 - 1.50%	350,000
Sewer refunding bonds	01/15/13	3.375%	225,000
MWPAT CWS - 0819 series 15	06/15/30	2.00%	245,620
MWPAT CWS - 0819 series 16	06/15/30	2.00%	<u>266,922</u>
Total Business-Type Activities:			<u>\$ 5,501,423</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2012 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 745,936	\$ 371,223	\$ 1,117,159
2014	740,936	348,492	1,089,428
2015	735,936	330,245	1,066,181
2016	725,873	311,986	1,037,859
2017	710,873	288,388	999,261
2018 - 2022	3,111,738	1,095,351	4,207,089
2023 - 2027	2,631,011	621,915	3,252,926
2028-2030	<u>1,575,000</u>	<u>126,000</u>	<u>1,701,000</u>
Total	<u>\$ 10,977,303</u>	<u>\$ 3,493,600</u>	<u>\$ 14,470,903</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 651,111	\$ 235,795	\$ 886,906
2014	441,726	188,546	630,272
2015	452,127	165,993	618,120
2016	462,560	146,400	608,960
2017	477,979	124,106	602,085
2018 - 2022	2,396,373	338,520	2,734,893
2023 - 2027	495,496	28,457	523,953
2028-2031	<u>124,051</u>	<u>5,022</u>	<u>129,073</u>
Total	<u>\$ 5,501,423</u>	<u>\$ 1,232,839</u>	<u>\$ 6,734,262</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2012, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/11</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/12</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/12</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 11,658	\$ 1,450	\$ (2,131)	\$ 10,977	\$ (746)	\$ 10,231
Net OPEB obligation	1,428	1,101	(719)	1,810	-	1,810
Other:						
Capital leases	<u>353</u>	<u>233</u>	<u>(171)</u>	<u>415</u>	<u>(155)</u>	<u>260</u>
Totals	<u>\$ 13,439</u>	<u>\$ 2,784</u>	<u>\$ (3,021)</u>	<u>\$ 13,202</u>	<u>\$ (901)</u>	<u>\$ 12,301</u>

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	Total Balance <u>7/1/11</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/12</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/12</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 6,387	\$ 863	\$ (1,749)	\$ 5,501	\$ (651)	\$ 4,850
Totals	\$ <u>6,387</u>	\$ <u>863</u>	\$ <u>(1,749)</u>	\$ <u>5,501</u>	\$ <u>(651)</u>	\$ <u>4,850</u>

14. 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.

15. Governmental Funds - Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2012:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, Stabilization and other reserve funds set aside by Town Meeting vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), and various special revenue funds.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period. The Town follows an informal policy that permits management to assign fund balance amounts to a specific purpose, although fund balance to be applied against a subsequent year's budget is voted by Town Meeting.

Following is a breakdown of the Town's fund balances at June 30, 2012:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable			
Nonexpendable permanent funds	\$ -	\$ 15,091	\$ 15,091
Total Nonexpendable	-	15,091	15,091
Restricted			
Bonded capital projects	-	665,770	665,770
Federal grants	-	570	570
State grants	-	62,658	62,658
Receipts reserved	-	985,860	985,860
Revolving funds	-	110,857	110,857
Debt service reserve	-	154,369	154,369
Other special revenue funds	-	117,455	117,455
Expendable permanent funds	-	330,316	330,316
Total Restricted	-	2,427,855	2,427,855

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	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Committed			
Stabilization funds	3,888,971	-	3,888,971
Reserved for articles	<u>86,425</u>	<u>-</u>	<u>86,425</u>
Total Committed	3,975,396	-	3,975,396
Assigned			
Town Encumbrances	24,468	-	24,468
Assigned for FY13 expenditures	<u>1,023,462</u>	<u>-</u>	<u>1,023,462</u>
Total Assigned	1,047,930	-	1,047,930
Unassigned	<u>1,860,728</u>	<u>(4,623)</u>	<u>1,856,105</u>
Total Fund Balance	<u>\$ 6,884,054</u>	<u>\$ 2,438,323</u>	<u>\$ 9,322,377</u>

16. Interfund Fund Transfers

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund transfers must be utilized.

The government reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2012:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,219,037	\$ 281,934
Nonmajor Funds:		
Special Revenue Funds:		
Town Revolving Funds	28,411	13,381
Ambulance Service	-	598,258
Debt Service	100,000	255,510
Receipts Reserved	<u>710</u>	<u>103,073</u>
Subtotal Nonmajor Funds ⁽¹⁾	129,121	970,222
 <u>Business-Type Funds</u>		
Water Fund	-	186,283
Sewer Fund	<u>252,813</u>	<u>162,532</u>
Grand Total	<u>\$ 1,600,971</u>	<u>\$ 1,600,971</u>

⁽¹⁾ Transfers in and out were netted on page 15 to eliminate activity within nonmajor governmental funds.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations.

17. Commitments and Contingencies

Outstanding Legal Issues - There are several pending legal issues 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. The Town is unable to estimate any possible liability.

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.

18. 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, 2012, 2011, and 2010 were \$ 1,320,014, \$ 1,312,533, and \$ 1,164,044, 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, 2012 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% *

*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 2012, the Commonwealth of Massachusetts contributed \$ 561,637 to the MTRS on behalf of the Town. This is included in the education expenditures and intergovernmental revenues in the general fund.

19. Post-Employment Healthcare and Life Insurance Benefits

Other Post-Employment Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Assets over time.

A. Plan Description

In addition to providing the pension benefits described, the Town provides post-employment healthcare and life insurance benefits for retired

employees through the Town's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of July 1, 2010, the actuarial valuation date, approximately 131 retirees and 90 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Town provides medical, prescription drug, mental health/substance abuse and life insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute 25% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2012 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2012, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of July 1, 2010.

Annual Required Contribution (ARC)	\$ 1,162,916
Interest on net OPEB obligation	57,109
Adjustment to ARC	<u>(118,329)</u>
Annual OPEB cost	1,101,696
Contributions made	<u>(719,587)</u>
Increase in net OPEB obligation	382,109
Net OPEB obligation - beginning of year	<u>1,427,698</u>
Net OPEB obligation - end of year	<u><u>\$ 1,809,807</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 1,101,696	65%	\$ 1,809,807
2011	\$ 1,051,780	67%	\$ 1,427,698
2010	\$ 1,113,081	56%	\$ 1,084,137
2009	\$ 1,177,566	50%	\$ 592,583

The Town's net OPEB obligation as of June 30, 2012 is recorded as a component of the "other long-term liabilities" line item.

E. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 12,996,490
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 12,996,490</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 6,317,856</u>
UAAL as a percentage of covered payroll	<u>205.7%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Town and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial

accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2010 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4% investment rate of return and an initial annual healthcare cost trend rate of 5.9% which decreases to a 5% long-term rate for all healthcare benefits after five years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4.5%.

20. 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.

21. Implementation of New GASB Standards

The GASB has issued Statement 68 Accounting and Financial Reporting for Pensions, which is required to be implemented in fiscal year 2015. Management’s current assessment is that this pronouncement will have a significant impact on the Town’s basic financial statements by recognizing as a liability and expense, the Town’s applicable portion of the Town of Whitman’s actuarially accrued liability.

22. Beginning Fund Balance Reclassification

The Town’s major governmental funds for fiscal year 2012, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity 6/30/11 (as previously reported)	<u>Reclassification</u>	Fund Equity 6/30/11 (as restated)
General fund	\$ 6,230,350	\$ -	\$ 6,230,350
Town Hall police station funds	1,190,564	(1,190,564)	-
Nonmajor funds	<u>1,541,391</u>	<u>1,190,564</u>	<u>2,731,955</u>
Total	<u>\$ 8,962,305</u>	<u>\$ -</u>	<u>\$ 8,962,305</u>

**TOWN OF WHITMAN, MASSACHUSETTS
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2012
(Unaudited)**

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
07/01/10	\$ -	\$ 12,996,490	\$ 12,996,490	0.0%	\$ 6,317,856	205.7%
07/01/08	\$ -	\$ 13,690,122	\$ 13,690,122	0.0%	\$ 4,921,115	278.2%

See Independent Auditors' Report.