

TOWN OF BLANDFORD, MASSACHUSETTS

Financial Statements

For the Year Ended June 30, 2002

(With Independent Auditors' Report Thereon)

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## INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Blandford, Massachusetts

We have audited the accompanying general purpose financial statements of the Town of Blandford, Massachusetts as of June 30, 2002 and for the year then ended. These general purpose financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides our audit provides a reasonable basis for our opinion.

The Town prepares its general purpose financial statements using accounting principles which are in conformity with the Uniform Municipal Accounting System promulgated by the Commonwealth of Massachusetts Department of Revenue. These accounting principles differ in certain respects from generally accepted accounting principles, primarily in the area of accounting for fixed assets. The effects of this difference on the accompanying general purpose financial statements has not been quantified.

The Town has established a water enterprise fund; however, certain assets, such as capital projects and inventories of supplies, and certain expenses, such as an allocation of overhead costs and accrued interest on long-term debt, have not been

recorded as required by generally accepted accounting principles. In addition, the Town does not maintain a record of fixed assets in the water enterprise fund as required by generally accepted accounting principles. Fixed assets have been recorded equal to capital acquisitions funded by long-term debt. The amount by which the actual value for fixed assets, depreciation and accumulated depreciation varies from amounts recorded cannot be determined at this time.

In our opinion, except for the effects of the items described in the third and fourth paragraphs, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Blandford, Massachusetts, as of June 30, 2002 and the results of its operations and cash flows of its proprietary and similar trust fund types for the year then ended in conformity with generally accepted accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 2, 2003 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Melanson, Heath + Company, P.C.*

Greenfield, Massachusetts  
May 2, 2003

TOWN OF BLANDFORD, MASSACHUSETTS

Combined Balance Sheet - All Fund Types and Account Group

June 30, 2002

ASSETS	Governmental Fund Types		Fiduciary Fund Types Trust and Agency	Proprietary Fund Type Enterprise	Account Group General Long-Term Debt	Totals (Memorandum Only)
	General	Special Revenue				
Cash and cash equivalents	\$ 643,028	\$ 36,367	\$ 235,997	\$ 26,756	\$ -	\$ 942,148
Investments	-	-	564,834	-	-	564,834
Receivables:						
Property taxes	184,717	-	-	-	-	184,717
Tax liens and foreclosures	121,120	-	-	-	-	121,120
Excises	44,987	-	-	-	-	44,987
Utility	-	-	-	35,327	-	35,327
Other	542	-	-	-	-	542
Property, plant and equipment, net of accumulated depreciation	-	-	-	114,723	-	114,723
Due from other governments	-	309,043	-	-	-	309,043
Amount to be provided for the retirement of general long-term obligations	-	-	-	-	6,845,487	6,845,487
Total Assets	\$ 994,394	\$ 345,410	\$ 800,831	\$ 176,806	\$ 6,845,487	\$ 9,162,928

LIABILITIES AND FUND EQUITY

Liabilities:						
Warrants payable	\$ 59,312	\$ 4,659	\$ -	\$ 8,428	\$ -	\$ 72,399
Accounts payable	-	38,568	-	22,664	-	61,232
Deferred revenue	250,213	260,828	-	-	-	511,041
Notes payable	-	-	-	-	85,627	85,627
Bonds payable	-	-	-	-	228,800	228,800
Loans payable	-	-	-	114,723	-	114,723
Water system improvements	-	-	-	-	6,531,060	6,531,060
Other liabilities	-	-	994	353	-	1,347
Total Liabilities	\$ 309,525	\$ 304,055	\$ 994	\$ 146,168	\$ 6,845,487	\$ 7,606,229
Fund Equity:						
Retained earnings	-	-	-	30,638	-	30,638
Fund balance:						
Reserved for encumbrances	28,733	-	-	-	-	28,733
Reserved for expenditures	67,817	-	-	-	-	67,817
Reserved for endowments	-	-	620,098	-	-	620,098
Unreserved, undesignated	588,319	41,355	179,739	-	-	809,413
Total Fund Equity	\$ 684,869	\$ 41,355	\$ 799,837	\$ 30,638	\$ -	\$ 1,556,699
Total Liabilities and Fund Equity	\$ 994,394	\$ 345,410	\$ 800,831	\$ 176,806	\$ 6,845,487	\$ 9,162,928

See accompanying notes to financial statements.

TOWN OF BLANDFORD, MASSACHUSETTS  
 Combined Statement of Revenues, Expenditures, and  
 Changes in Fund Equity  
 All Governmental Fund Types and Expendable Trust Funds

For the Year Ended June 30, 2002

	Governmental Fund Types		Fiduciary Fund Types Expendable Trust	Totals (Memorandum Only)
	General	Special Revenue		
<b>Revenues:</b>				
Property taxes	\$ 1,423,209	-	-	\$ 1,423,209
Excise	98,135	-	-	98,135
Interest, penalties and other taxes	134,237	-	-	134,237
Charges for services	26,272	37	-	26,309
Licenses and permits	16,832	-	-	16,832
Intergovernmental	142,184	224,005	-	366,189
Fines and forfeits	6,330	-	-	6,330
Interest and dividends	8,836	-	20,440	29,276
Contributions	-	-	1,573	1,573
Miscellaneous	10,075	26,241	-	36,316
<b>Total Revenues</b>	<b>1,866,110</b>	<b>250,283</b>	<b>22,013</b>	<b>2,138,406</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	118,858	328	-	119,186
Public safety	76,386	31,451	-	107,837
Education	993,922	-	-	993,922
Public works	300,554	155,825	2,199	458,578
Human services	9,148	1,566	15,625	26,339
Culture and recreation	35,974	4,788	-	40,762
Employee benefits	48,871	-	-	48,871
Miscellaneous	-	3,577	52	3,629
Debt service	124,691	-	-	124,691
Intergovernmental	8,489	-	-	8,489
<b>Total Expenditures</b>	<b>1,716,893</b>	<b>197,535</b>	<b>17,876</b>	<b>1,932,304</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>149,217</b>	<b>52,748</b>	<b>4,137</b>	<b>206,102</b>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	28,240	-	10,000	38,240
Operating transfers out	(10,000)	-	-	(10,000)
<b>Total Other Financing Sources (Uses)</b>	<b>18,240</b>	<b>-</b>	<b>10,000</b>	<b>28,240</b>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	<b>167,457</b>	<b>52,748</b>	<b>14,137</b>	<b>234,342</b>
<b>Fund Balance, July 1, 2001</b>	<b>517,412</b>	<b>(11,393)</b>	<b>165,602</b>	<b>671,621</b>
<b>Fund Balance, June 30, 2002</b>	<b>\$ 684,869</b>	<b>\$ 41,355</b>	<b>\$ 179,739</b>	<b>\$ 905,963</b>

See accompanying notes to financial statements.

TOWN OF BLANDFORD, MASSACHUSETTS

Statement of Revenues and Other Sources,  
and Expenditures and Other Uses  
Budget and Actual - General Fund

For the Year Ended June 30, 2002

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues and Other Sources:			
Property taxes	\$ 1,388,224	\$ 1,388,224	\$ -
Excise	74,000	98,135	24,135
Penalties, interest and other taxes	113,679	134,237	20,558
Charges for services	25,900	26,272	372
Licenses and permits	9,000	16,832	7,832
Intergovernmental	145,034	142,184	(2,850)
Fines and forfeits	7,500	6,330	(1,170)
Interest earnings	14,000	8,836	(5,164)
Miscellaneous	-	10,075	10,075
Transfers in	-	28,240	28,240
Other sources	<u>175,479</u>	<u>175,479</u>	<u>-</u>
Total Revenues and Other Sources	<u>1,952,816</u>	<u>2,034,844</u>	<u>82,028</u>
Expenditures and Other Uses:			
General government	147,685	132,477	15,208
Public safety	83,377	76,544	6,833
Education	993,922	993,922	-
Public works	339,232	300,973	38,259
Human services	17,450	9,148	8,302
Culture and recreation	36,108	36,011	97
Debt service	125,692	124,691	1,001
Employee benefits	59,589	48,871	10,718
Intergovernmental	8,050	8,489	(439)
Transfers out	10,000	10,000	-
Other uses	<u>131,711</u>	<u>131,711</u>	<u>-</u>
Total Expenditures and Other Uses	<u>1,952,816</u>	<u>1,872,837</u>	<u>79,979</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 162,007</u>	<u>\$ 162,007</u>

See accompanying notes to financial statements.

TOWN OF BLANDFORD, MASSACHUSETTS

Combined Statement of Revenues, Expenses and  
Changes in Fund Equity - Proprietary and Similar Trust Funds

For the Year Ended June 30, 2002

	Fiduciary Fund Type Nonexpendable Trust	Proprietary Fund Type Water Enterprise	Totals (Memorandum Only)
Operating Revenues:			
Charges for services	\$ -	\$ 154,094	\$ 154,094
Contributions	723	-	723
Other	<u>52</u>	<u>201</u>	<u>253</u>
Total operating revenue	775	154,295	155,070
Operating Expenses:			
Salaries and benefits	-	11,237	11,237
Purchased services/materials and supplies	-	119,412	119,412
Depreciation	<u>-</u>	<u>2,629</u>	<u>2,629</u>
Total operating expenses	<u>-</u>	<u>133,278</u>	<u>133,278</u>
Operating income	775	21,017	21,792
Non-Operating Revenue (Expenses):			
Investment income	-	1,956	1,956
Interest expense	-	(5,773)	(5,773)
Unrealized gain on investment	<u>41,350</u>	<u>-</u>	<u>41,350</u>
Total non-operating revenue (expense)	<u>41,350</u>	<u>(3,817)</u>	<u>37,533</u>
Net income before other financing sources	42,125	17,200	59,325
Other Financing Sources (Uses):			
Operating transfers (out)	<u>-</u>	<u>(28,240)</u>	<u>(28,240)</u>
Net income (loss)	42,125	(11,040)	31,085
Retained Earnings/Fund Equity, beginning of year	<u>577,973</u>	<u>41,678</u>	<u>619,651</u>
Retained Earnings/Fund Equity, end of year	<u>\$ 620,098</u>	<u>\$ 30,638</u>	<u>\$ 650,736</u>

See accompanying notes to financial statements.

TOWN OF BLANDFORD, MASSACHUSETTS

Statement of Cash Flows  
Proprietary Fund Types

For the Year Ended June 30, 2002

	<u>Enterprise Funds</u>
Cash Flows From Operating Activities:	
Operating income	\$ 21,017
Adjustments to reconcile operating income to net cash:	
Provided for operating activities:	
Depreciation	2,629
Investment income	1,956
Transfer to other funds	(28,240)
(Increase)/Decrease in current assets:	
(Increase) in accounts receivable	(25,794)
Increase/(decrease) in current liabilities:	
Increase in warrants payable	7,113
Increase in accounts payable	22,664
(Decrease) in other liabilities	(9,170)
Net Cash Received from Operating Activities	<u>(7,825)</u>
Cash Flows for Capital and Related Financing Activities:	
Payment of long-term debt	(2,629)
Interest expense	<u>(5,773)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(8,402)</u>
Net (decrease) in cash	(16,227)
Cash and Cash Equivalents, July 1, 2001	<u>42,983</u>
Cash and Cash Equivalents, June 30, 2002	<u>\$ 26,756</u>

See accompanying notes to financial statements.

**Town of Blandford, Massachusetts**  
**Notes to General Purpose Financial Statements**

**1. Summary of Significant Accounting Policies**

The accounting policies of the Town of Blandford (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units, except as indicated in Note 2. 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 2002, it was determined that no entities met the required GASB-14 criteria of component units.

**B. Basis of Presentation - Fund Accounting**

For reporting purposes, the financial activities of the Town are accounted for through the use of several funds and account groups. Each fund is a separate accounting entity with self-balancing accounts. The following types of funds and account groups are used by the Town:

**Governmental Fund Types**

Governmental funds are those through which most governmental functions of the Town are financed. The acquisition, use and balances of the Town's expendable financial resources and the related liabilities (except those accounted for in fiduciary and proprietary funds) are accounted for through governmental funds. The measurement focus is based upon determination of changes in financial position, rather than upon net income determination. The following are the Town's governmental fund types:

**General Fund** - To account for all financial activities of the Town, except those required to be accounted for in another fund. Most revenues and expenditures of a general governmental nature are accounted for in this fund.

**Special Revenue Funds** - To account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for special purposes.

### Proprietary Fund Types

Proprietary funds are used to account for the Town's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income. The following are the Town's proprietary fund types:

Enterprise Funds - To account for operations which are supported primarily by user charges.

### Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the Town in a trustee capacity. The Town maintains the following fiduciary fund types:

Expendable Trust Funds - These funds are accounted for in essentially the same manner as governmental funds.

Nonexpendable Trust Funds - These funds are used to account for assets held by the Town in a trustee capacity. The principal balance cannot be spent; however, investment earnings may be spent for intended purposes.

Agency Funds - These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

### Account Groups

Account groups are used to establish accounting control and accountability for the Town's general long-term obligations. The following account group is maintained by the Town.

General Long-Term Debt Account Group - This account group is used to account for all long-term obligations of the Town.

## C. Basis of Accounting

The basis of accounting used for each fund is as follows:

### Modified Accrual Basis (Governmental, Expendable Trust and Agency Funds)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is applied in all governmental, expendable trust and agency fund types. Accordingly, revenues are

recorded when susceptible to accrual, that is, both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers property tax revenue available if received within 60 days after the close of the fiscal year. All other amounts not received during that period are deferred and recognized in future accounting periods.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are essentially two types of these revenues: (1) revenues recognized based upon the expenditures recorded, and (2) revenues recognized at the time of receipt or earlier, if the susceptible to accrual criteria is met.

Other revenues (except investment earnings) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Expenditures, except for interest on long-term debt which is recorded when due, and vacation, sick and pension costs because these amounts are not expected to be relieved within the current accounting period, are recorded when the related fund liability is incurred.

#### Accrual Basis (Proprietary and Nonexpendable Trust Funds)

All proprietary and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The accrual basis of accounting is used by proprietary and nonexpendable trust funds. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. The Town has elected to apply proprietary fund accounting principles applicable to the private sector issued through November 30, 1989, unless those principles conflict with or contradict pronouncements of the Governmental Accounting Standards Board.

#### D. Cash and Cash Equivalents

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 funds 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. The Town maintains a cash and investment pool 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 cash equivalents". The interest earnings attributable to each fund type is included under earnings on investments.

*E. Investments*

State and local statutes place certain limitations on the nature of deposits and investment available to the Town. 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 less than one year 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 in the trust fund consist of marketable securities and short-term money market investments and are carried at market value.

*F. Property Tax Limitations*

Legislation known as "Proposition 2 1/2" limits the amount of revenue the Town can derive 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 or debt exemption is voted. The actual fiscal year 2002 tax levy reflected an excess capacity of \$ 48,121.

*G. Long-Term Obligations*

The government reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group.

*H. Fund Equity*

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

*I. Encumbrance Accounting and Reporting*

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities.

J. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations, or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

K. Omitted Statements - Nonexpendable Trust Funds

No statement of cash flows is presented for the Nonexpendable Trust Funds since the only activity was net income of \$ 42,125 derived from contributions of \$ 723, other income of \$ 52 and unrealized gains of \$ 41,350.

2. Departures from Generally Accepted Accounting Principles

The significant departures of the Town's financial statements from generally accepted accounting principles are as follows:

- General fixed asset acquisitions are not capitalized in a general fixed asset group of accounts.
- The Town has established a Water Enterprise Fund; however, certain assets, such as capital projects and inventories of supplies, and certain expenses, such as an allocation of overhead costs and accrued interest on long-term debt, have not been recorded as required by generally accepted accounting principles.
- Fixed assets recorded in the Town's Enterprise Fund have been recorded to equal the capital acquisitions funded by debt rather than on historical costs, as required by generally accepted accounting principles. Also, annual depreciation is reported at an amount equal to principal debt service payments. The amount by which reported amounts differ from generally accepted accounting principles could not be determined.

3. 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 appro-

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 total department budget 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. 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 appropriation appearing on page 5 of the financial statements represents the final amended budget of the Town and was authorized as follows:

2002 annual appropriations	\$ 1,790,188
2002 supplemental appropriations	90,479
Statutory County and State assessments	8,307
Other uses legally required to be raised	<u>63,842</u>
Total Appropriation	<u>\$ 1,952,816</u>

**C. Budget/GAAP Reconciliation**

The budgetary data for the general fund 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)	\$ 1,866,110	\$ 1,716,893
Other financing sources/uses (GAAP basis)	28,240	10,000
Adjust tax revenue to accrual basis	(34,985)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(14,500)
Add end of year appropriation carryforwards to expenditures	-	28,733
To record the use of fund balance as another funding source/use	<u>175,479</u>	<u>131,711</u>
Budgetary basis	<u>\$ 2,034,844</u>	<u>\$ 1,872,837</u>

**D. Deficit Fund Equity**

The following fund had a deficit as of June 30, 2002:

Chapter 113     \$ (9,163)

The deficit in this fund will be eliminated through future departmental revenues and transfers from other funds

**4. Cash and Cash Equivalents**

The carrying amount of the Town's deposits with financial institutions at June 30, 2002 was \$ 942,148. The bank balances, which do not include reconciling items such as deposits in transit and outstanding checks, are categorized as follows:

Amount insured by the FDIC and DIFM, or collateralized with securities held by the Town in its name	\$ 349,184
Uncollateralized	535,604
State investment pool	<u>59,263</u>
Total Bank Balance	<u>\$ 944,051</u>

**5. Investments**

The Town's investments are categorized into the following three categories of credit risk:

- (1) Insured or registered, or securities held by the Town or its agent in the Town's name.

- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Town's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Town's name.

At year end, the government's investment balances were as follows:

	Category			Market Value
	1	2	3	
Corporate stocks	\$ -	\$ -	\$ 198,575	\$ 198,575
Government securities	-	-	15,320	15,320
Short-term investments	-	-	39,261	39,261
Investments not subject to categorization:				
Mutual funds				<u>311,678</u>
Total Investments				\$ <u>564,834</u>

## 6. Taxes Receivable

Real and personal property taxes are based on assessed values as of the previous January 1 and are normally due on a semi-annual basis. By law, all taxable property must be assessed at 100% of fair cash value. Taxes due and unpaid after the due dates are subject to interest and penalties. The Town has an ultimate right to foreclose on property for unpaid taxes.

The following is a summary of the property tax calendar used for the 2002 tax levies:

June 28, 2001:

The first and second quarter real estate tax bills are mailed to taxpayers. These bills are approximately equal to one half of the prior year's tax levy.

August 1, 2001:

The first quarter preliminary tax bills are due. All bills paid after this date are charged interest at the rate of 14% from the due date.

November 1, 2001:

The second quarter preliminary tax bills are due. All bills paid after this date are charged interest at the rate of 14% from the due date.

December 31, 2001

The third quarter real estate and personal property tax bills are mailed to taxpayers. This bill is approximately equal to one quarter of the current tax levy.

February 1, 2002:

The third quarter tax bills are due. All bills paid after this date are charged interest at the rate of 14% from the due date.

March 29, 2002:

The fourth quarter real estate and personal property tax bills are mailed to taxpayers. This is for the remainder of the tax levy.

May 1, 2002:

The fourth quarter tax bills are due. All bills paid after this date are charged interest at the rate of 14% from the due date.

Fourteen days after the due date for the fourth quarter 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.

Taxes receivable at June 30, 2002 consist of the following (in thousands):

Real Estate		
2002	\$ 125	
2001	24	
2000	7	
Prior	<u>22</u>	
		178
Personal Property		
2002 and Prior		<u>7</u>
Total		\$ <u>185</u>

**7. Due From Other Governments**

This balance represents reimbursements requested from State agencies for expenditures incurred in fiscal 2002.

**8. Warrants and Accounts Payable**

Warrants payable represent 2002 expenditures paid by July 15, 2002 as permitted by law. Accounts payable represent additional 2002 expenditures paid after July 15, 2002.

**9. Deferred Revenue**

The balance of the General Fund deferred revenues account is equal to the total of all June 30, 2002 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections. The Town's statutory "allowance for abatements and exemptions" (overlay) account, with

a balance of \$ 121,430 has been reclassified to deferred revenue for reporting purposes.

## 10. Notes Payable

The following is a summary of notes payable activity in fiscal year 2002:

<u>Type</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Land purchase	\$ 60,000	\$ -	\$ 60,000	\$ -

Additional notes payable are reported in the general long-term debt account group due to the Town's intent to renew the notes over an extended period of time.

## 11. 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 general government and proprietary activities. Payment is not limited to a particular revenue source. However, as previously noted, the Town's ability to raise property taxes is restricted by the enactment of legislation known as "Proposition 2 1/2. General obligation bonds currently outstanding are as follows:

	<u>Serial Maturities Through</u>	<u>Interest Rate(s)%</u>	<u>Amount Outstanding as of June 30, 2002</u>
<u>Governmental Funds:</u>			
<u>Bonds Payable:</u>			
Landfill capping	5/23/24	5.95	\$ <u>228,800</u>
Total Bonds Payable			<u>228,800</u>
<u>Notes Payable:</u>			
Front end loader *	2003	2.39	25,627
Fire truck *	2003	2.27	<u>60,000</u>
Total Notes Payable			<u>85,627</u>
Total Governmental Funds			314,427
<u>Loans Payable - Proprietary Funds:</u>			
Water improvements - FmHA	6/4/25	4.875	<u>114,723</u>
Total Loans Payable - Proprietary Funds			<u>114,723</u>
Total All Debt			\$ <u>429,150</u>

\* These borrowings are a combination of several short-term notes intended to finance these projects over a period of five years. This is being accomplished by rolling over a series of short-term notes for lesser amounts each year. The interest rates reported are the interest rates for the short-term notes issued in fiscal year 2002 and due in fiscal year 2003.

**B. Future Debt Service**

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2002 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 43,214	\$ 13,614	\$ 56,828
2004	43,213	12,995	56,208
2005	30,400	12,376	42,776
2006	10,400	11,757	22,157
2007	10,400	11,138	21,538
2008 - 2012	52,000	46,410	98,410
2013 - 2017	52,000	30,940	82,940
2018 - 2022	52,000	15,470	67,470
2023 - 2024	<u>20,800</u>	<u>1,856</u>	<u>22,656</u>
Total	<u>\$ 314,427</u>	<u>\$ 156,556</u>	<u>\$ 470,983</u>
 <u>Proprietary</u>			
2003	\$ 2,809	\$ 5,593	\$ 8,402
2004	2,946	5,456	8,402
2005	3,090	5,312	8,402
2006	3,240	5,162	8,402
2007	3,398	5,004	8,402
2008 - 2012	19,645	22,365	42,010
2013 - 2017	24,923	17,087	42,010
2018 - 2022	31,620	10,390	42,010
2023 - 2025	<u>23,052</u>	<u>2,290</u>	<u>25,342</u>
Total	<u>\$ 114,723</u>	<u>\$ 78,659</u>	<u>\$ 193,382</u>

**C. Bond Authorizations**

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2002 are as follows:

<u>Purpose</u>	<u>Amount</u>
Water system upgrade	\$ 6,531,060
Dump truck	<u>82,000</u>
Total	<u>\$ 6,613,060</u>

D. Legal Debt Margin

The Town is subject to the General Laws of the Commonwealth of Massachusetts which limits the amount of bonded debt the Town may have outstanding to 5 percent of the valuation of taxable property as last equalized by the Commonwealth's Department of Revenue. The following is a computation of the legal debt margin as of June 30, 2002 (in thousands of dollars):

Equalized valuation - January 1, 2002		\$ <u>90,089</u>
Debt limit - 5% of equalized valuation		\$ 4,504
Total debt outstanding	429	
Less debt exempt from limit	( - )	( <u>429</u> )
Legal Debt Margin		\$ <u>4,075</u> *

\* Does not include authorized but unissued debt.

E. Changes in General Long-Term Liabilities

During the year ended June 30, 2002, the following changes occurred in liabilities reported in the general long-term debt account group:

	Balance <u>July 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2002</u>
Notes payable	\$ 178,441	\$ -	\$ ( 92,814)	\$ 85,627
Water system improvements	-	6,531,060	-	6,531,060
Bonds payable	<u>239,200</u>	<u>-</u>	( <u>10,400</u> )	<u>228,800</u>
Totals	\$ <u>417,641</u>	\$ <u>6,531,060</u>	\$ ( <u>103,214</u> )	\$ <u>6,845,487</u>

**12. Reserves and Designations of Fund Equity**

The Town has established "reserves" of fund equity 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 Town reported the following types of reserves at June 30, 2002 :

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

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

Reserved for Endowments - 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.

**13. General Fund Undesignated Fund Balance**

The undesignated general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in certain respects from the Massachusetts Uniform Municipal Accounting System (UMAS). The following paragraphs summarize the major differences.

Massachusetts General Laws require that over or under funded State and County assessments be raised in or applied to the subsequent year's tax rate.

Massachusetts General Laws allow municipalities to adopt an alternative debt service funding schedule for projects subject to debt exclusion votes. These "reserved balances" carry forward from year to year and must be appropriated only for debt service costs related to the debt exclusion project.

The following summarizes the specific differences between GAAP basis and statutory basis of reporting the general fund undesignated fund balance:

GAAP basis balance	\$ 588,319
Reserved for debt service	(131,096)
Under assessment of State and County charges	( 440)
Statutory (UMAS) Balance	\$ <u>456,783</u>

**14. Subsequent Events**

Subsequent Budget Authorization

The financial statements for the Town as of June 30, 2002 do not reflect the fiscal 2003 annual budget authorized in May 2002. The amount authorized in May (all funds) totaled \$ 1,894,954.

**15. Commitments and Contingencies**

Water System Improvements

A consent order was issued by the State Department of Environmental Protection effective May 10, 2001 requiring the Town to make certain water system improvements. In November 2002, the Town authorized borrowing \$ 6,531,060 for this project. The Town subsequently applied for a combination grant and loan from the United States Department of Agriculture Rural Development Agency (USDARD). On June 2, 2002, the Town received approval for phase one of the project funding, which consists of a loan of \$ 1,183,803 and a grant of \$ 968,565. Phases two and three of the project will be approved when funds become available and are expected to be funded as follows:

	<u>Loan</u>	<u>Grant</u>
Phase Two	\$ 1,288,679	\$ 1,054,372
Phase Three	1,119,611	916,040

The total expected funding will be \$ 3,592,083 in loans and \$ 2,938,977 in grants, for a total project cost of \$ 6,531,060. This liability is reported in the Town's General Long-Term Debt Account Group at June 30, 2002.

The Town estimates completion of the project and subsequent compliance with the consent order to be as follows:

- Phase One - October 2003
- Phase Two - October 2004
- Phase Three - Not yet established

## 16. Pension Plan

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

### A. Plan Description

The Town contributes to the Hampden 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 which can be obtained through the Hampden County Retirement System, Hall of Justice, 50 State Street, Springfield, MA 01102.

### 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 systemwide 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 year ended June 30, 2002 was \$ 13,839, which was equal to its annual required contribution.

## 17. GASB No. 34

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement). Certain of the significant changes in the Statement include the following:

- For the first time the financial statements will include:
  - A Management Discussion and Analysis (MD&A) section providing an analysis of the Town's overall financial position and results of operations.
  - Financial statements prepared using full accrual accounting for all of the Town's activities, including reporting infrastructure assets (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

The general provisions of GASB No. 34 must be implemented by Town of Amherst no later than the fiscal year ending June 30, 2004; the reporting of infrastructures must be implemented no later than the year ending June 30, 2008.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

To The Board of Selectmen  
Town of Blandford, Massachusetts

We have audited the general purpose financial statements of the Town of Blandford, Massachusetts, as of and for the year ended June 30, 2002, and have issued our report thereon dated May 2, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting which we have reported to the management of the Town in a separate letter dated May 2, 2003.

This report is intended solely for the information and use of management, others within the organization, Board of Selectmen, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Melanson, Heath + Company, P.C.*

Greenfield, Massachusetts  
May 2, 2003