

TOWN OF BLANDFORD, MASSACHUSETTS

Financial Statements

For the Year Ended June 30, 2003

(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, 2003 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. 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 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, 2003 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.

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

Greenfield, Massachusetts  
April 26, 2005

TOWN OF BLANDFORD, MASSACHUSETTS  
Combined Balance Sheet - All Fund Types and Account Group

June 30, 2003

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	Capital Projects				
Cash and cash equivalents	\$ 765,779	\$ -	\$ 201,262	\$ 251,572	\$ 18,583	\$ -	\$ 1,237,196
Investments	-	-	-	579,139	-	-	579,139
Receivables:							
Property taxes	199,654	-	-	-	-	-	199,654
Tax liens and foreclosures	121,120	-	-	-	-	-	121,120
Excises	47,848	-	-	-	-	-	47,848
Utility	-	-	-	-	58,519	-	58,519
Other	471	-	-	-	-	-	471
Due from other funds	49,850	-	-	-	-	-	49,850
Due from other governments	-	124,788	-	-	-	-	124,788
Property, plant and equipment, net of accumulated depreciation	-	-	-	-	111,914	-	111,914
Amount to be provided for the retirement of general long-term obligations	-	-	-	-	-	-	-
Total Assets	\$ 1,184,722	\$ 124,788	\$ 201,262	\$ 830,711	\$ 189,016	\$ 5,647,836	\$ 8,178,335
<u>LIABILITIES AND FUND EQUITY</u>							
Liabilities:							
Warrants payable	\$ 51,214	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,214
Accounts payable	15,784	-	280,199	-	-	-	295,983
Accrued payroll and withholdings	2,130	-	-	-	-	-	2,130
Deferred revenue	236,254	-	-	-	-	-	236,254
Due to other funds	-	49,850	-	-	-	-	49,850
Reserve for tax refunds	15,838	-	-	-	-	-	15,838
Notes payable	-	-	1,150,000	-	-	127,313	1,277,313
Bonds payable	-	-	-	-	111,914	218,400	330,314
Water system improvements	-	-	-	-	-	5,302,123	5,302,123
Other liabilities	-	-	-	2,849	-	-	2,849
Total Liabilities	\$ 321,220	\$ 49,850	\$ 1,430,199	\$ 2,849	\$ 111,914	\$ 5,647,836	\$ 7,563,868
Fund Equity:							
Retained earnings	-	-	-	-	74,820	-	74,820
Fund balance:							
Reserved for encumbrances	23,780	-	-	-	2,282	-	26,062
Reserved for endowments	-	-	-	620,279	-	-	620,279
Unreserved, undesignated	839,722	74,938	(1,228,937)	207,583	-	-	(106,694)
Total Fund Equity	\$ 863,502	\$ 74,938	\$ (1,228,937)	\$ 827,862	\$ 77,102	\$ -	\$ 614,467
Total Liabilities and Fund Equity	\$ 1,184,722	\$ 124,788	\$ 201,262	\$ 830,711	\$ 189,016	\$ 5,647,836	\$ 8,178,335

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, 2003

	Governmental Fund Types		Fiduciary Fund Types Expendable Trust	Totals (Memorandum Only)
	General	Special Revenue		
Revenues:				
Property taxes	\$ 1,565,677	\$ -	\$ -	\$ 1,565,677
Excise	114,822	-	-	114,822
Interest, penalties and other taxes	119,852	-	-	119,852
Charges for services	41,147	-	-	41,147
Licenses and permits	10,098	-	-	10,098
Intergovernmental	118,645	182,401	-	301,046
Fines and forfeits	8,348	-	-	8,348
Interest and dividends	6,645	-	-	6,645
Contributions	-	-	1,516	1,516
Miscellaneous	3,083	11,364	-	14,447
Total Revenues	<u>1,988,317</u>	<u>193,765</u>	<u>20,177</u>	<u>2,202,259</u>
Expenditures:				
Current:				
General government	154,885	82	-	154,967
Public safety	52,908	9,770	-	62,678
Education	1,076,835	-	-	1,076,835
Public works	404,041	145,624	1,228,937	1,783,886
Human services	8,453	638	-	9,091
Culture and recreation	36,325	4,068	7,049	47,442
Employee benefits	52,396	-	-	52,396
Debt service	58,797	-	-	58,797
Intergovernmental	9,124	-	-	9,124
Total Expenditures	<u>1,853,764</u>	<u>160,182</u>	<u>1,228,937</u>	<u>3,255,216</u>
Excess (deficiency) of revenues over expenditures	134,553	33,583	7,844	(1,052,957)
Other Financing Sources (Uses):				
Note proceeds	74,499	-	-	74,499
Operating transfers in	-	-	20,000	20,000
Operating transfers out	(30,419)	-	-	(30,419)
Total Other Financing Sources (Uses)	<u>44,080</u>	<u>-</u>	<u>20,000</u>	<u>64,080</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	178,633	33,583	27,844	(988,877)
Fund Balance, July 1, 2002	684,869	41,355	179,739	905,963
Fund Balance, June 30, 2003	<u>\$ 863,502</u>	<u>\$ 74,938</u>	<u>\$ 207,583</u>	<u>\$ (82,914)</u>

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, 2003

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Revenues and Other Sources:			
Property taxes	\$ 1,528,981	\$ 1,528,981	\$ -
Excise	77,000	114,822	37,822
Penalties, interest and other taxes	117,500	119,852	2,352
Charges for services	26,100	41,147	15,047
Licenses and permits	11,000	10,098	(902)
Intergovernmental	127,855	118,645	(9,210)
Fines and forfeits	6,500	8,348	1,848
Interest earnings	9,000	6,645	(2,355)
Miscellaneous	-	3,083	3,083
Other sources	<u>233,011</u>	<u>225,510</u>	<u>(7,501)</u>
Total Revenues and Other Sources	<u>2,136,947</u>	<u>2,177,131</u>	<u>40,184</u>
Expenditures and Other Uses:			
General government	206,661	154,728	51,933
Public safety	68,735	54,482	14,253
Education	1,076,835	1,076,835	-
Public works	432,233	397,105	35,128
Human services	17,972	8,453	9,519
Culture and recreation	37,788	36,891	897
Debt service	58,798	58,797	1
Employee benefits	57,622	52,396	5,226
Intergovernmental	8,064	9,124	(1,060)
Transfers out	37,961	30,419	7,542
Other uses	<u>134,278</u>	<u>134,278</u>	<u>-</u>
Total Expenditures and Other Uses	<u>2,136,947</u>	<u>2,013,508</u>	<u>123,439</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 163,623</u>	<u>\$ 163,623</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, 2003

	Fiduciary Fund Type Nonexpendable Trust	Proprietary Fund Type Water Enterprise	Totals (Memorandum Only)
Operating Revenues:			
Charges for services	\$ -	\$ 161,769	\$ 161,769
Contributions	1,455	-	1,455
Other	<u>-</u>	<u>1,359</u>	<u>1,359</u>
Total operating revenue	1,455	163,128	164,583
Operating Expenses:			
Salaries and benefits	-	13,357	13,357
Purchased services/materials and supplies	-	108,357	108,357
Depreciation	<u>-</u>	<u>2,809</u>	<u>2,809</u>
Total operating expenses	<u>-</u>	<u>124,523</u>	<u>124,523</u>
Operating income	1,455	38,605	40,060
Non-Operating Revenue (Expenses):			
Investment income	8	3,033	3,041
Interest expense	-	(5,593)	(5,593)
Unrealized (loss) on investment	<u>(1,282)</u>	<u>-</u>	<u>(1,282)</u>
Total non-operating revenue (expense)	<u>(1,274)</u>	<u>(2,560)</u>	<u>(3,834)</u>
Net income before other financing sources	181	36,045	36,226
Other Financing Sources:			
Operating transfers in	<u>-</u>	<u>10,419</u>	<u>10,419</u>
Net income	181	46,464	46,645
Retained Earnings/Fund Equity, beginning of year	<u>620,098</u>	<u>30,638</u>	<u>650,736</u>
Retained Earnings/Fund Equity, end of year	<u>\$ 620,279</u>	<u>\$ 77,102</u>	<u>\$ 697,381</u>

See accompanying notes to financial statements.



TOWN OF BLANDFORD, MASSACHUSETTS

Statement of Cash Flows  
Proprietary Fund Types

For the Year Ended June 30, 2003

	Enterprise Funds
Cash Flows From Operating Activities:	
Operating income	\$ 38,605
Adjustments to reconcile operating income to net cash:	
Provided for operating activities:	
Depreciation	2,809
Investment income	3,033
Transfer from other funds	10,419
(Increase)/Decrease in current assets:	
(Increase) in accounts receivable	(23,192)
(Decrease) in current liabilities:	
(Decrease) in warrants payable	(8,428)
(Decrease) in accounts payable	(22,664)
(Decrease) in other liabilities	<u>(353)</u>
Net Cash Provided by Operating Activities	229
Cash Flows for Capital and Related Financing Activities:	
Payment of long-term debt	(2,809)
Interest expense	<u>(5,593)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(8,402)</u>
Net (decrease) in cash	(8,173)
Cash and Cash Equivalents, July 1, 2002	<u>26,756</u>
Cash and Cash Equivalents, June 30, 2003	\$ <u><u>18,583</u></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 2003, 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.

Capital Project Funds - Transactions related to resources obtained and used for the acquisition, construction, or improvement of major capital facilities are accounted for in capital project funds. Such resources are derived principally from proceeds of general obligation bond issues and from Federal and State grants.

#### 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 2003 tax levy reflected an excess capacity of \$ 16,254.

G. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from/to other funds" (i.e., the current portion of interfund loans).

H. 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.

I. Fund Equity

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

J. 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.

K. 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.

L. 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 \$ 181 derived from contributions of \$ 1,455, interest income of \$ 8 and an unrealized loss of \$ (1,282).

**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 assets 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 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:

2003 annual appropriations	\$ 1,834,652
2003 supplemental appropriations	83,194
Statutory County and State assessments	7,882
Other uses legally required to be raised	<u>211,219</u>
Total Appropriation	<u>\$ 2,136,947</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)	\$ 1,988,317	\$ 1,853,764
Other financing sources/uses (GAAP basis)	74,499	30,419
Adjust tax revenue to accrual basis	( 36,696)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	( 28,733)
Add end of year appropriation carryforwards to expenditures	-	23,780
To record the use of fund balance as a funding source/use	<u>151,011</u>	<u>134,278</u>
Budgetary basis	<u>\$ 2,177,131</u>	<u>\$ 2,013,508</u>



*D. Deficit Fund Equity*

The following funds had deficits as of June 30, 2003:

Special Revenue Funds:

Highway	\$ ( 20,574)
STRAP Grant	\$ ( 1,409)

Capital Project Funds:

Water	\$ (1,228,937)
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The deficits in these funds will be eliminated through future departmental revenues, bond proceeds and transfers from other funds

**4. Cash and Cash Equivalents**

The carrying amount of the Town's deposits with financial institutions at June 30, 2003 was \$ 1,237,196. 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	\$ 751,179
Uncollateralized	478,923
State investment pool	<u>12,168</u>
Total Bank Balance	\$ <u>1,242,270</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:

	<u>Category</u>			<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Corporate stocks	\$ -	\$ -	\$ 205,015	\$ 205,015
Short-term investments	-	-	5,636	5,636
Investments not subject to categorization:				
Certificates of deposit				49,527
Mutual funds				<u>318,961</u>
Total Investments				<u>\$ 579,139</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 2003 tax levies:

June 28, 2002:

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, 2002:

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, 2002:

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, 2002:

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, 2003:

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, 2003:

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, 2003:

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, 2003 consist of the following (in thousands):

Real Estate		
2003	\$ 115	
2002	32	
2001	18	
Prior	<u>23</u>	
		188
Personal Property		
2003 and Prior		<u>12</u>
Total		<u>\$ 200</u>

## 7. Interfund Fund Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2003 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 49,850	\$ -
Special Revenue Funds	<u>-</u>	<u>49,850</u>
Total	<u>\$ 49,850</u>	<u>\$ 49,850</u>

## 8. Due From Other Governments

This balance represents reimbursements requested from State agencies for expenditures incurred in fiscal 2003.

**9. Warrants and Accounts Payable**

Warrants payable represent 2003 expenditures paid by July 15, 2003 as permitted by law. Accounts payable represent additional 2003 expenditures paid after July 15, 2003.

**10. Deferred Revenue**

The balance of the General Fund deferred revenues account is equal to the total of all June 30, 2003 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 \$ 134,534 has been reclassified to deferred revenue for reporting purposes.

**11. Reserve for Tax Refunds**

This balance consists of an estimate of refunds due to property taxpayers for abatements granted and over payments.

**12. Anticipation Notes Payable**

The Town had the following notes outstanding at June 30, 2003:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2003</u>
Bond anticipation	1.58%	04/03/03	10/03/03	\$ 200,000
Bond anticipation	1.49%	05/08/03	10/03/03	<u>950,000</u>
Total				<u>\$ 1,150,000</u>

The following is a summary of notes payable activity in fiscal year 2003:

<u>Type</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Water upgrade	\$ -	\$ 1,150,000	\$ -	\$ 1,150,000

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.

### 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 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>Governmental Funds:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s)%</u>	<u>Amount Outstanding as of June 30, 2003</u>
<u>Notes Payable:</u>			
Front end loader *	2004	1.65	12,814
Fire truck *	2004	1.79	40,000
Dump truck *	2004	1.39	<u>74,499</u>
Total Notes Payable			127,313
<u>Bonds Payable:</u>			
Landfill capping	5/23/24	5.95	\$ <u>218,400</u>
Total Bonds Payable			<u>218,400</u>
Total Governmental Funds			345,713
<u>Loans Payable - Proprietary Funds:</u>			
Water improvements - FmHA	6/4/25	4.875	<u>111,914</u>
Total Loans Payable - Proprietary Funds			<u>111,914</u>
Total All Debt			\$ <u>457,627</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 2003 and due in fiscal year 2004.

#### B. Future Debt Service

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2003 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 43,214	\$ 12,995	\$ 56,209
2005	30,400	12,376	42,776
2006	10,400	11,757	22,157
2007	10,400	11,138	21,538
2008	84,899	10,520	95,419
2009 - 2013	52,000	43,316	95,316
2014 - 2018	52,000	27,846	79,846
2019 - 2023	52,000	12,374	64,374
2024 - 2025	<u>10,400</u>	<u>619</u>	<u>11,019</u>
Total	\$ <u>345,713</u>	\$ <u>142,941</u>	\$ <u>488,654</u>

<u>Proprietary</u>			
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	3,564	4,838	8,402
2009 - 2013	20,603	21,407	42,010
2014 - 2018	26,138	15,872	42,010
2019 - 2023	33,161	8,849	42,010
2024 - 2026	<u>15,774</u>	<u>1,166</u>	<u>16,940</u>
Total	\$ <u>111,914</u>	\$ <u>73,066</u>	\$ <u>184,980</u>

C. Bond Authorizations

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2003 are as follows:

<u>Purpose</u>	<u>Amount</u>
Water system upgrade	\$ 6,531,060
Dump truck	<u>7,501</u>
Total	\$ <u>6,538,561</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, 2003 (in thousands of dollars):

Equalized valuation - January 1, 2002		\$ <u>90,089</u>
Debt limit - 5% of equalized valuation		\$ 4,504
Total debt outstanding	458	
Less debt exempt from limit	( - )	( <u>458</u> )
Legal Debt Margin		\$ <u>4,046</u> *

\* Does not include authorized but unissued debt.

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

During the year ended June 30, 2003, the following changes occurred in liabilities reported in the general long-term debt account group:

	Balance <u>July 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2003</u>
Notes payable	\$ 85,627	\$ 74,499	\$ ( 32,813)	\$ 127,313
Bonds payable	228,800	-	( 10,400)	218,400
Water system improvements	<u>6,531,060</u>	<u>-</u>	<u>(1,228,937)</u>	<u>5,302,123</u>
Totals	\$ <u>6,845,487</u>	\$ <u>74,499</u>	\$ <u>(1,272,150)</u>	\$ <u>5,647,836</u>

**14. 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, 2003 :

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

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.

**15. 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 paragraph summarizes the major difference.

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 difference between GAAP basis and statutory basis of reporting the general fund undesignated fund balance:

GAAP basis balance	\$ 839,722
Reserved for debt service	<u>(264,935)</u>
Statutory (UMAS) Balance	\$ <u>574,787</u>

## 16. Subsequent Events

### Subsequent Budget Authorization

The financial statements for the Town as of June 30, 2003 do not reflect the fiscal 2004 annual budget authorized in May 2003. The amount authorized in May (all funds) totaled \$ 1,890,506.

### Subsequent Debt

Subsequent to June 30, 2003, the Town has incurred the following additional temporary debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Bond anticipation note	\$ 1,150,000	1.38%	10/03/03	01/14/04
Bond anticipation note	1,150,000	1.39%	01/14/04	06/17/04
Bond anticipation note	968,565	1.27%	08/08/03	12/10/03
Bond anticipation note	968,565	1.37%	12/10/03	06/10/04

## 17. Commitments and Contingencies

### 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.



## 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). As of May 14, 2004, the Town had received approval for phases one and two of the project funding, which consist of a loan of \$ 2,472,500 and a grant of \$ 2,022,937. Phase three of the project will be approved when funds become available and is expected to be funded as follows:

	<u>Loan</u>	<u>Grant</u>
Phase Three	\$ 1,300,623	\$ 735,000

The total expected funding will be \$ 3,773,123 in loans and \$ 2,757,937 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, 2003, net of expenditures incurred to date of \$ 1,228,937.

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

Phase One	-	October 2003
Phase Two	-	December 2004
Phase Three	-	April 2006

## **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 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, 2003 was \$ 12,279, which was equal to its annual required contribution.

## **19. 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 Blandford 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.