

TOWN OF BLANDFORD, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2004

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Blandford, Massachusetts

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Town of Blandford, Massachusetts, as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the Town of Blandford'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 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 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.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental or business type activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in the government-wide financial statements for the Town's governmental activities are not reasonably determinable. As discussed in Note 2 to the financial statements, management has not recorded certain capital assets in business-type activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those capital assets be capitalized and depreciated, which would increase that assets, net assets and expenses of the business-type activities. The amount by which this departure would affect the assets, net assets and expenses of the business-type activities is not reasonably determinable.

In our opinion, because of matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Town of Blandford as of June 30, 2004 or the changes in its financial position or cash flows, where applicable, for the year then ended.

As described in Note 18, the Town has partially implemented several new *Governmental Accounting Standards Board Statements* which has resulted in the restatement of beginning fund equity balances of several funds.

The Town has not presented a management's discussion and analysis that the *Governmental Accounting Standards Board* has determined necessary to supplement, although not required to be part of, the basis financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 18, 2006 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Melanson, Heath + Company, P.C.

Greenfield, Massachusetts
February 18, 2006

TOWN OF BLANDFORD
GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2004

	General	Susan Tiffany Cemetery Trust	Watson Dean Park Trust	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and short-term investments	\$ 910,933	-	-	\$ 313,873	\$ 1,224,806
Investments	-	222,295	332,230	40,259	594,784
Receivables:					
Property taxes	353,066	-	-	-	353,066
Excises	67,277	-	-	-	67,277
Departmental and other	110,111	-	-	-	110,111
TOTAL ASSETS	<u>\$ 1,441,387</u>	<u>\$ 222,295</u>	<u>\$ 332,230</u>	<u>\$ 354,132</u>	<u>\$ 2,350,044</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Warrants payable	\$ 84,977	-	-	-	\$ 84,977
Accrued payroll	17,121	-	-	-	17,121
Deferred revenues	530,454	-	-	-	530,454
Tax refunds payable	18,734	-	-	-	18,734
TOTAL LIABILITIES	651,286	-	-	-	651,286
Fund Balances:					
Reserved for:					
Encumbrances	4,698	-	-	-	4,698
Expenditures	20,000	-	-	-	20,000
Perpetual (nonexpendable) permanent funds	-	222,295	332,230	102,718	657,243
Unreserved:					
Undesignated, reported in:					
General fund	765,403	-	-	-	765,403
Special revenue funds	-	-	-	79,460	79,460
Permanent funds	-	-	-	171,954	171,954
TOTAL FUND BALANCES	<u>790,101</u>	<u>222,295</u>	<u>332,230</u>	<u>354,132</u>	<u>1,698,758</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,441,387</u>	<u>\$ 222,295</u>	<u>\$ 332,230</u>	<u>\$ 354,132</u>	<u>\$ 2,350,044</u>

See notes to financial statements.

TOWN OF BLANDFORD, MASSACHUSETTS
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Susan Tiffany Cemetery Trust</u>	<u>Watson Dean Park Trust</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 1,461,120	-	-	-	\$ 1,461,120
Excises	149,148	-	-	-	149,148
Penalties, interest and other taxes	60,812	-	-	-	60,812
Charges for services	52,072	-	-	5,480	57,552
Intergovernmental	109,220	-	-	76,010	185,230
Licenses and permits	11,150	-	-	-	11,150
Fines and forfeitures	8,259	-	-	-	8,259
Investment income (loss)	2,282	18,628	(12,161)	934	9,683
Miscellaneous	64,704	-	-	-	64,704
Total Revenues	<u>1,918,767</u>	<u>18,628</u>	<u>(12,161)</u>	<u>82,424</u>	<u>2,007,658</u>
Expenditures:					
Current:					
General government	199,516	-	-	-	199,516
Public safety	61,133	-	-	12,698	73,831
Education	1,123,008	-	-	-	1,123,008
Public works	327,301	-	-	4,105	331,406
Health and human services	10,186	-	-	1,578	11,764
Culture and recreation	37,472	-	-	19,413	56,885
Employee benefits	79,836	-	-	-	79,836
Debt service	57,134	-	-	-	57,134
Intergovernmental	8,983	-	-	-	8,983
Total Expenditures	<u>1,904,569</u>	<u>-</u>	<u>-</u>	<u>37,794</u>	<u>1,942,363</u>
over expenditures	14,198	18,628	(12,161)	44,630	65,295
Other Financing Sources (Uses):					
Operating transfers in	45,240	-	-	-	45,240
Operating transfers out	-	-	-	(45,240)	(45,240)
Total Other Financing Sources (Uses)	<u>45,240</u>	<u>-</u>	<u>-</u>	<u>(45,240)</u>	<u>-</u>
Change in fund equity	59,438	18,628	(12,161)	(610)	65,295
Fund Equity, at Beginning of Year, as restated	730,663	203,667	344,391	354,742	1,633,463
Fund Equity, at End of Year	<u>\$ 790,101</u>	<u>\$ 222,295</u>	<u>\$ 332,230</u>	<u>\$ 354,132</u>	<u>\$ 1,698,758</u>

See notes to financial statements.

TOWN OF BLANDFORD, MASSACHUSETTS

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts			Variance with
	Original Budget	Final Budget	Actual Amounts	Final Budget Positive (Negative)
Revenues and Other Sources:				
Taxes	1,488,101	\$ 1,488,101	\$ 1,488,101	\$ -
Excise	87,000	87,000	149,148	62,148
Penalties, interest and other taxes	108,300	108,300	60,812	(47,488)
Charges for services	40,000	40,000	52,072	12,072
Intergovernmental	109,255	109,255	109,220	(35)
Licenses and permits	7,000	7,000	11,150	4,150
Fines and forfeits	6,500	6,500	8,259	1,759
Investment income	4,000	4,000	2,282	(1,718)
Miscellaneous	-	-	64,704	64,704
Transfers in	45,240	45,240	45,240	-
Other sources	-	42,085	42,085	-
Total Revenues and Other Sources	1,895,396	1,937,481	2,033,073	95,592
Expenditures and Other Uses:				
General government	176,551	187,451	181,030	6,421
Public safety	64,489	64,889	60,231	4,658
Education	1,123,008	1,123,008	1,123,008	-
Public works	315,959	346,744	342,602	4,142
Health and human services	14,171	14,171	11,111	3,060
Culture and recreation	37,838	37,838	37,336	502
Debt service	72,569	72,569	57,134	15,435
Intergovernmental	9,183	9,183	8,983	200
Employee benefits	81,628	81,628	79,836	1,792
Total Expenditures and Other Uses	1,895,396	1,937,481	1,901,271	36,210
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 131,802	\$ 131,802

See notes to financial statements.

TOWN OF BLANDFORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2004

	<u>Business-Type Activities</u>
	<u>Water Fund</u>
<u>ASSETS</u>	
Current:	
Cash and short-term investments	\$ 281,349
User fees	86,627
Intergovernmental receivables	<u>21,144</u>
Total current assets	389,120
Noncurrent:	
Capital assets, net of accumulated depreciation	<u>1,292,771</u>
Total noncurrent assets	<u>1,292,771</u>
TOTAL ASSETS	1,681,891
<u>LIABILITIES</u>	
Current:	
Accounts payable	37,090
Accrued interest	3,549
Notes payable	1,000,000
Current portion of long-term liabilities: Bonds payable	<u>34,243</u>
Total current liabilities	1,074,882
Noncurrent:	
Bonds payable, net of current portion	<u>1,258,528</u>
Total noncurrent liabilities	<u>1,258,528</u>
TOTAL LIABILITIES	2,333,410
<u>NET ASSETS</u>	
Reserve for capital project	(810,583)
Unrestricted	<u>159,064</u>
TOTAL NET ASSETS	\$ <u>(651,519)</u>

See notes to financial statements.

TOWN OF BLANDFORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2004

	<u>Business-Type Activities</u>
	<u>Water Fund</u>
Operating Revenues:	
Charges for services	\$ 245,547
Other	<u>2,004</u>
Total Operating Revenues	247,551
Operating Expenses:	
Salaries and wages	14,036
Purchased services/materials and supplies	180,717
Depreciation	<u>2,946</u>
Total Operating Expenses	<u>197,699</u>
Operating Income	49,852
Nonoperating Revenues (Expenses):	
Intergovernmental revenue	69,920
Investment income	6,296
Interest expense	<u>(38,427)</u>
Total Nonoperating Revenues (Expenses), Net	<u>37,789</u>
Income Before Other Financing Sources (Uses)	87,641
Other Financing Sources (Uses)	
Capital outlay	(1,739,693)
Intergovernmental revenue - capital	968,565
Bond proceeds	<u>1,183,803</u>
Change in Net Assets	500,316
Net Assets at Beginning of Year, as restated	<u>(1,151,835)</u>
Net Assets at End of Year	<u>\$ (651,519)</u>

See notes to financial statements.

TOWN OF BLANDFORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2004

	Business-Type Activities <u>Water Fund</u>
<u>Cash Flows From Operating Activities :</u>	
Receipts from customers and users	\$ 219,443
Payments to vendors and employees	<u>(194,753)</u>
Net Cash Provided By Operating Activities	24,690
<u>Cash Flows From Noncapital Financing Activities :</u>	
Intergovernmental subsidy	<u>48,776</u>
Net Cash Provided By Noncapital Financing Activities	48,776
<u>Cash Flows From Capital and Related Financing Activities :</u>	
Proceeds from issuance of bonds and notes	1,183,803
Acquisition and construction of capital assets	(1,982,802)
Principal payments on bonds and notes	(152,946)
Interest expense	(34,878)
Intergovernmental subsidy	<u>968,565</u>
Net Cash (Used For) Capital and Related Financing Activities	(18,258)
<u>Cash Flows From Investing Activities :</u>	
Investment income	<u>6,296</u>
Net Cash Provided By Investing Activities	<u>6,296</u>
Net Change in Cash and Short-Term Investments	61,504
Cash and Short Term Investments, Beginning of Year	<u>219,845</u>
Cash and Short Term Investments, End of Year	<u><u>\$ 281,349</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>	
Operating income	\$ 49,852
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	2,946
Changes in assets and liabilities:	
User fees	<u>(28,108)</u>
Net Cash Provided By Operating Activities	<u><u>\$ 24,690</u></u>

See notes to financial statements.

TOWN OF BLANDFORD, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2004

	Agency Funds
<u>ASSETS</u>	
Cash and short-term investments	\$ <u>12,437</u>
Total Assets	12,437
<u>LIABILITIES</u>	
Payroll withholdings	7,187
Other liabilities	<u>5,250</u>
Total Liabilities	\$ <u><u>12,437</u></u>

See notes to financial statements.

Town of Blandford, Massachusetts

Notes to 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 2004, it was determined that no entities met the required GASB-14 criteria of component units.

B. Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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. Revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Susan Tiffany Cemetery Trust fund* is a perpetual permanent fund established for the accounting of financial resources of the trust.
- The *Watson Dean Park Trust fund* is a perpetual permanent fund established for the accounting of financial resources of the trust.

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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 non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the 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 water enterprise fund as a major proprietary fund.

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 is included under investment income. For purpose of the statement of cash flows, the proprietary fund considers 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.

F. Property Tax Limitations

Legislation known as "Proposition 2 1/2" limits 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 or debt exemption is voted. The actual fiscal year 2004 tax levy reflected an excess capacity of \$ 10,419.

G. Long-Term Obligations

In the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

H. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

I. 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. Departures from Generally Accepted Accounting Principles

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

- Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United State of America require the presentation of government-wide financial statements. The amounts that would be reported in the government-wide financial statements for the Town's governmental activities are not reasonably determinable.
- Management has not recorded certain capital assets in business-type activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those capital assets be capitalized and depreciated, which would increase the assets, net assets and expenses of the business-type activities. The amount by which this departure would affect the assets, net assets and expenses of the business type activities is not reasonably determinable.
- The Town has not presented a Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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 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 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 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 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)	\$ 1,918,767	\$ 1,904,569
Other financing sources/uses (GAAP basis)	45,240	-
Adjust tax revenue to accrual basis	26,981	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(23,780)
Add end of year appropriation carryforwards to expenditures	-	4,698
To reverse the effect of GAAP accruals	-	15,784
Recognize use of fund balance as funding source	<u>42,085</u>	<u>-</u>
Budgetary basis	<u>\$ 2,033,073</u>	<u>\$ 1,901,271</u>

D. Excess of Expenditures Over Appropriation

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

Public Works - Snow and Ice	\$ 9,553
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E. Deficit Fund Equity

The following funds had deficits as of June 30, 2004:

Special Revenue Funds:	
Highway	\$ (20,575)
Turnpike Grant	(24,795)
Enterprise Funds:	
Water Capital Project	\$ (810,583)

The deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

4. Cash and Short-Term Investments

The carrying amount of the Town's deposits with financial institutions at June 30, 2004 were \$ 1,518,592. 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 DIF, or collateralized with securities held by the Town in its name	\$ 675,187
Uncollateralized	746,895
State investment pool	<u>133,326</u>
Total Bank Balance	\$ <u>1,555,408</u>

5. Investments

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 counter-party'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 (in thousands):

	Category			Total
	1	2	3	
Corporate equity	\$ -	\$ -	\$ 223	<u>\$ 223</u>
Subtotal				223
Investments not subject to categorization:				
Mutual funds				338
Certificates of deposit				<u>34</u>
Total Investments				<u>\$ 595</u>

6. 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, 2004 consist of the following (in thousands):

Real Estate		
2004	\$ 105	
2003	76	
2002	23	
2001	14	
2000	2	
Prior	<u>15</u>	
		235

Personal Property		
2004	14	
2003	3	
2002	1	
Prior	<u>3</u>	
		21
Tax Liens		90
Tax Possessions		<u>7</u>
Total		\$ <u>353</u>

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2004.

8. Warrants and Accounts Payable

Warrants payable represent 2004 expenditures paid by July 15, 2004 as permitted by law. Accounts payable represent additional 2004 expenditures paid after July 15, 2004.

9. 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, 2004 receivable balances.

10. Tax Refunds Payable

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the state Appellate Tax Board.

11. Anticipation Notes Payable

The Town had the following note outstanding at June 30, 2004:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at June 30, 2004</u>
Bond anticipation	1.39%	01/14/04	07/30/04	\$ 1,000,000

The following summarizes activity in notes payable during fiscal year 2004:

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Bond anticipation	\$ 1,150,000	\$ 5,237,130	\$ 5,387,130	\$ 1,000,000

12. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and proprietary fund purposes. 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, 2004</u>
<u>Governmental Funds:</u>			
<u>Notes Payable:</u>			
Fire truck*	2005	1.37	\$ 20,000
Dump truck*	2005	1.52	<u>74,499</u>
Total Notes Payable			94,499
<u>Bonds Payable:</u>			
Landfill capping	5/23/24	5.95	<u>208,000</u>
Total Bonds Payable			<u>208,000</u>
Total Governmental Funds			302,499
<u>Business-Type Activities:</u>			
<u>Bonds Payable:</u>			
Water Bond - FmHA	6/4/25	4.875	108,968
Water Bond - FmHA	6/8/42	4.375	<u>1,183,803</u>
Total Bonds Payable - Business Type Activities			<u>1,292,771</u>
Total All Debt			\$ <u>1,595,270</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 2004 and due in fiscal year 2005.

B. Future Debt Service

The annual principal payments to retire all general obligation long-term debt outstanding as of June 30, 2004 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 30,400	\$ 12,376	\$ 42,776
2006	35,400	11,757	47,157
2007	35,400	11,138	46,538
2008	34,899	10,520	45,419
2009	10,400	9,901	20,301
2010 - 2014	52,000	40,222	92,222
2015 - 2019	52,000	24,752	76,752
2020 - 2024	<u>52,000</u>	<u>9,280</u>	<u>61,280</u>
Total	\$ <u>302,499</u>	\$ <u>129,946</u>	\$ <u>432,445</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 34,243	\$ 57,103	\$ 91,346
2006	34,393	55,591	89,984
2007	34,551	54,069	88,620
2008	34,717	52,541	87,258
2009	34,891	51,004	85,895
2010 - 2014	177,372	231,658	409,030
2015 - 2019	183,177	191,778	374,955
2020 - 2024	190,543	150,337	340,880
Thereafter	<u>568,884</u>	<u>233,452</u>	<u>802,336</u>
Total	\$ <u>1,292,771</u>	\$ <u>1,077,533</u>	\$ <u>2,370,304</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2004, the following changes occurred in long-term liabilities:

	Total Balance 7/1/03	Additions	Reductions	Total Balance 6/30/04	Less Current Portion	Equals Long-Term Portion 6/30/04
<u>Governmental Activities</u>						
Bonds payable	\$ 218,400	\$ -	\$ (10,400)	\$ 208,000	\$ (10,400)	\$ 197,600
Notes payable	127,313	-	(32,814)	94,499	(20,000)	74,499
Totals	\$ 345,713	\$ -	\$ (43,214)	\$ 302,499	\$ (30,400)	\$ 272,099
<u>Business-Type Activities</u>						
Bonds payable	\$ 111,914	\$ 1,183,803	\$ (2,946)	\$ 1,292,771	\$ (34,243)	\$ 1,258,528

13. Reserves of Fund Equity

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

The following types of reserves are reported at June 30, 2004:

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

14. 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 include provisions to allow municipalities to overexpend certain appropriations if they are incurred in an emergency situation and for the safety of the public. The most common example involves the “snow and ice” appropriation. All such overexpenditures, however, must be funded in 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

"reserve 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	\$ 765,403
Appropriation deficits, snow and ice	9,553
Reserve for debt service	(264,935)
Statutory (UMAS) Balance	\$ <u>510,021</u>

15. Subsequent Events

Debt

Subsequent to June 30, 2004, the Town has incurred the following additional debt:

<u>Temporary Debt:</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Bond anticipation note	\$ 1,000,000	1.75%	07/30/04	12/17/04
<u>Permanent Debt:</u>				
Water bond	\$ 1,288,697	4.75%	12/16/04	12/16/43

16. 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. The Town authorized appropriations of \$ 6,531,060 in November 2002 and an additional \$ 1,600,000 in August 2005 for this project. The Town 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 loans of \$ 2,472,500 and grants of \$ 2,022,937. Phase three,

and additional amounts needed for phase two and three of the project are expected to be approved when funds become available and to be funded as follows:

	<u>Loan</u>	<u>Grant</u>
Phase Three	\$ 1,300,623	\$ 735,000
Additional Phase two and three	<u>882,000</u>	<u>718,000</u>
Total	<u>2,182,623</u>	<u>1,453,000</u>

The total expected funding will be \$ 4,655,123 in loans and \$ 3,475,937 in grants, for a total project cost of \$ 8,131,060. Expenditures incurred to date as of June 30, 2004 were \$ 3,211,740.

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

Phase One	-	Substantially Complete June 2004
Phase Two	-	December 2006
Phase Three	-	December 2006

17. Pension Plan

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

A. Plan Description

The Town contributes to the 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 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. Town's contributions to the System for the years ended June 30, 2004 and 2003 were \$ 19,178 and \$ 12,279, respectively, which were equal to its annual required contributions for each of these years.

18. Implementation of New GASB Pronouncements

During fiscal year 2004, the following GASB pronouncements were partially implemented:

- Statement #34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.
- Statement #37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Omnibus*.
- Statement #38, *Certain Financial Statement Note Disclosures*.

The pronouncements identified above are all related to the new financial reporting requirements as defined in Statement #34. Fiscal year 2004 is the required implementation date. The most significant changes required by the new financial reporting standards are as follows:

- Management's discussion and analysis.
- Basic financial statements, which include:
 - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting.
 - Fund financial statements, consisting of a series of statements that focus on major governmental funds.
 - Schedules to reconcile the fund financial statements to the government-wide financial statements.
 - Notes to the basic financial statements.

As a result of implementing these pronouncements and the effect of an accounting change, the following restatements have been made to the beginning fund balances:

	Fund Equity June 30, 2004 (as previously reported)	Reclassification	Restatment	Fund Equity June 30, 2004 (as restated)
General fund	\$ 863,502	\$ -	\$ (132,839)	\$ 730,663
Susan Tiffany Cemetery Trust fund	-	203,667	-	203,667
Watson Dean Park Trust fund	-	344,391	-	344,391
Nonmajor funds	-	354,742	-	354,742
Capital project funds	(1,228,937)	1,228,937	-	-
Special revenue funds	74,938	(74,938)	-	-
Trust and agency funds	827,862	(827,862)	-	-
Water enterprise fund	<u>77,102</u>	<u>(1,228,937)</u>	<u>-</u>	<u>(1,151,835)</u>
Total	\$ <u>614,467</u>	\$ <u>-</u>	\$ <u>(132,839)</u>	\$ <u>481,628</u>