

**TOWN OF BLANDFORD, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2007**

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## MELANSON HEATH & COMPANY, PC

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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, 2007, 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 maintains the water enterprise fund on a modified accrual basis, and 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 enterprise funds be reported on an accrual basis of accounting, and that 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.

In our opinion, because of the significance of the matters discussed in the preceding paragraphs, 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, 2007 or the changes in financial position or cash flows, where applicable thereof for the year then ended.

The Town has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 16, 2009, 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

March 16, 2009

TOWN OF BLANDFORD, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2007

	<u>General</u>	<u>Watson Dean Park Trust</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ 581,116	-	\$ 282,152	\$ 863,268
Investments	-	401,128	418,835	819,963
Receivables:				
Property taxes	554,491	-	-	554,491
Excises	60,040	-	-	60,040
Intergovernmental	-	-	84,439	84,439
Departmental and other	471	-	-	471
<b>TOTAL ASSETS</b>	<u>\$ 1,196,118</u>	<u>\$ 401,128</u>	<u>\$ 785,426</u>	<u>\$ 2,382,672</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Warrants payable	\$ 51,800	-	-	\$ 51,800
Accrued payroll	3,824	-	-	3,824
Deferred revenues	615,001	-	-	615,001
<b>TOTAL LIABILITIES</b>	<u>670,625</u>	<u>-</u>	<u>-</u>	<u>670,625</u>
Fund Balances:				
Reserved for:				
Encumbrances	4,850	-	-	4,850
Expenditures	170,000	-	-	170,000
Perpetual (nonexpendable) permanent funds	-	401,128	383,775	784,903
Unreserved:				
Undesignated, reported in:				
General fund	350,643	-	-	350,643
Special revenue funds	-	-	109,021	109,021
Permanent funds	-	-	292,630	292,630
<b>TOTAL FUND BALANCES</b>	<u>525,493</u>	<u>401,128</u>	<u>785,426</u>	<u>1,712,047</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,196,118</u>	<u>\$ 401,128</u>	<u>\$ 785,426</u>	<u>\$ 2,382,672</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, 2007

	<u>General</u>	<u>Watson Dean Park Trust</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Property taxes	\$ 1,477,048	-	-	\$ 1,477,048
Excises	167,132	-	-	167,132
Penalties, interest and other taxes	161,414	-	-	161,414
Charges for services	63,079	-	8,697	71,776
Intergovernmental	212,299	-	142,416	354,715
Licenses and permits	14,322	-	-	14,322
Fines and forfeitures	10,016	-	-	10,016
Investment income	12,610	40,641	50,156	103,407
Miscellaneous	3,660	-	250	3,910
<b>Total Revenues</b>	<u>2,121,580</u>	<u>40,641</u>	<u>201,519</u>	<u>2,363,740</u>
<b>Expenditures:</b>				
Current:				
General government	206,790	-	20,523	227,313
Public safety	70,144	-	22,829	92,973
Education	1,415,094	-	-	1,415,094
Public works	343,804	-	95,444	439,248
Health and human services	15,194	-	8,762	23,956
Culture and recreation	34,687	-	5,182	39,869
Employee benefits	60,167	-	-	60,167
Debt service	24,488	-	-	24,488
Intergovernmental	12,335	-	-	12,335
<b>Total Expenditures</b>	<u>2,182,703</u>	<u>-</u>	<u>152,740</u>	<u>2,335,443</u>
Change in fund equity	(61,123)	40,641	48,779	28,297
Fund Equity, at Beginning of Year, as restated	586,616	360,487	736,647	1,683,750
<b>Fund Equity, at End of Year</b>	<u>\$ 525,493</u>	<u>\$ 401,128</u>	<u>\$ 785,426</u>	<u>\$ 1,712,047</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, 2007

	Budgeted Amounts			Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget			
<b>Revenues and Other Sources:</b>					
Property taxes	\$ 1,511,675	\$ 1,511,675		\$ 1,511,675	\$ -
Excise	148,000	148,000		167,132	19,132
Penalties, interest and other taxes	149,000	149,000		161,414	12,414
Charges for services	54,000	54,000		63,079	9,079
Intergovernmental	211,798	211,798		212,299	501
Licenses and permits	8,000	8,000		14,322	6,322
Fines and forfeits	6,000	6,000		10,016	4,016
Investment income	13,000	13,000		12,610	(390)
Miscellaneous	-	-		3,660	3,660
Other sources	186,590	215,154		215,154	-
Total Revenues and Other Sources	2,288,063	2,316,627		2,371,361	54,734
<b>Expenditures and Other Uses:</b>					
General government	192,759	221,323		209,356	11,967
Public safety	73,715	73,715		70,144	3,571
Education	1,425,759	1,425,759		1,415,094	10,665
Public works	387,175	387,175		337,454	49,721
Health and human services	19,220	19,220		14,924	4,296
Culture and recreation	38,130	38,130		35,187	2,943
Debt service	35,411	35,411		24,488	10,923
Intergovernmental	14,325	14,325		12,335	1,990
Employee benefits	78,550	78,550		60,167	18,383
Other uses	23,019	23,019		23,019	-
Total Expenditures and Other Uses	2,288,063	2,316,627		2,202,168	114,459
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -		\$ 169,193	\$ 169,193

See notes to financial statements.

TOWN OF BLANDFORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2007

	Business-Type Activities <u>Water Fund</u>
<b><u>ASSETS</u></b>	
Current:	
Cash and short-term investments	\$ 248,935
User charges receivable	139,798
Utility liens receivable	43,382
Intergovernmental receivable	<u>54,354</u>
Total current assets	486,469
Noncurrent:	
Capital assets, net of accumulated depreciation	<u>4,634,919</u>
Total noncurrent assets	<u>4,634,919</u>
<b>TOTAL ASSETS</b>	<b>5,121,388</b>
<b><u>LIABILITIES</u></b>	
Current:	
Warrants payable	5,475
Accounts payable	56,525
Accrued payroll	5,552
Accrued interest	34,201
Deferred revenue	17,496
Other liabilities	1,474
Current portion of long-term liabilities: Bonds payable	<u>84,411</u>
Total current liabilities	205,134
Noncurrent:	
Bonds payable, net of current portion	<u>4,550,508</u>
Total noncurrent liabilities	<u>4,550,508</u>
<b>TOTAL LIABILITIES</b>	<b>4,755,642</b>
<b><u>NET ASSETS</u></b>	
Restricted for capital project	(58,629)
Unrestricted	<u>425,523</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u><u>365,746</u></u></b>

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, 2007

	Business-Type Activities <u>Water Fund</u>
<b>Operating Revenues:</b>	
Charges for services	\$ <u>342,587</u>
Total Operating Revenues	342,587
<b>Operating Expenses:</b>	
Salaries and wages	42,416
Purchased services/materials and supplies	70,142
Depreciation	<u>47,829</u>
Total Operating Expenses	<u>160,387</u>
Operating Income	182,200
<b>Nonoperating Revenues (Expenses):</b>	
Investment income	2,370
Interest expense	(130,560)
Capital outlay	(1,902,989)
Intergovernmental revenue - capital	<u>1,157,124</u>
Total Nonoperating Revenues (Expenses), net	(874,055)
<b>Other Financing Sources (Uses):</b>	
Bond proceeds	<u>2,182,623</u>
Total Other Financing Sources (Uses)	<u>2,182,623</u>
Change in Net Assets	1,490,768
Net Assets at Beginning of Year	<u>(1,125,022)</u>
Net Assets at End of Year	\$ <u><u>365,746</u></u>

See notes to financial statements.

TOWN OF BLANDFORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2007

	Business-Type Activities <u>Water Fund</u>
<b><u>Cash Flows From Operating Activities:</u></b>	
Receipts from customers and users	\$ 259,169
Payments to vendors and employees	<u>(263,050)</u>
Net Cash Provided By Operating Activities	(3,881)
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>	
Proceeds from issuance of bonds and notes	2,182,623
Acquisition and construction of capital assets	(1,950,818)
Principal payments on notes	(1,300,000)
Interest expense	(130,981)
Intergovernmental subsidy	<u>1,157,124</u>
Net Cash (Used For) Capital and Related Financing Activities	(42,052)
<b><u>Cash Flows From Investing Activities:</u></b>	
Investment income	<u>2,370</u>
Net Cash Provided By Investing Activities	<u>2,370</u>
Net Change in Cash and Short-Term Investments	(43,563)
Cash and Short Term Investments, Beginning of Year	<u>292,498</u>
Cash and Short Term Investments, End of Year	<u>\$ 248,935</u>
<b><u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u></b>	
Operating income	\$ 182,200
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	47,829
Changes in assets and liabilities:	
User fees	(46,560)
Intergovernmental receivable	(54,354)
Warrants payable	(95,530)
Accrued payroll and withholdings	4,619
Other liabilities	<u>(42,085)</u>
Net Cash Provided By Operating Activities	<u>\$ (3,881)</u>

See notes to financial statements.

TOWN OF BLANDFORD, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2007

	Agency Funds
<b><u>ASSETS</u></b>	
Cash and short-term investments	\$ <u>4,228</u>
Total Assets	4,228
<b><u>LIABILITIES</u></b>	
Other liabilities	<u>4,228</u>
Total Liabilities	\$ <u><u>4,228</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 2007, 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 *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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in 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 2007 tax levy reflected an excess capacity of \$ 3,513.

*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 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.
- Management reports the water enterprise fund on a modified accrual basis of accounting, however, generally accepted accounting principles require it be reported on the accrual basis of accounting.
- 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)	\$ 2,121,580	\$ 2,182,703
Adjust tax revenue to accrual basis	34,627	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(8,404)
Add end of year appropriation carryforwards to expenditures	-	4,850
Recognize use of fund balance as funding source	215,154	-
Other non-GAAP uses	-	23,019
Budgetary basis	<u>\$ 2,371,361</u>	<u>\$ 2,202,168</u>



#### 4. Cash and Short-Term Investments

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Massachusetts General Laws Chapter 44, Section 55 limits deposits "in a bank or trust company or banking company to an amount not exceeding sixty percent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess."

As of June 30, 2007, \$ 488,553 of the Town's bank balance of \$ 1,295,790 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the Town's name.

#### 5. Investments

##### A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments that were purchased using surplus revenues, Massachusetts General Laws Chapter 44, Section 55 limits investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

The Town's investments of \$ 819,963, as of June 30, 2007, are comprised of corporate equities (\$ 399,573), certificate of deposit (\$ 132,910) and mutual funds (\$ 287,480), which are not subject to credit rating.

##### B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have policies for custodial credit risk.

##### C. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. Investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments are as follows:

Citizens Bank	\$ 61,996
Citigroup Common Stock	92,937
General Electric Corporation Common Stock	88,197

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Exempt from Disclosure</u>	<u>(Investment Maturities in Years) Less Than 1</u>
Certificates of deposit	\$ 132,910	\$ -	\$ 132,910
Mutual funds	287,480	287,480	-
Corporate Equities	<u>399,573</u>	<u>399,573</u>	<u>-</u>
Total	<u>\$ 819,963</u>	<u>\$ 687,053</u>	<u>\$ 132,910</u>

**E. Foreign Currency Risk**

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have policies for foreign currency risk.

**6. Taxes Receivable**

Real estate and personal property taxes are levied and based on values assessed on January 1 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, 2007 consist of the following (in thousands):

Real Estate		
2007	\$ 222	
2006	50	
2005	30	
2004	49	
Prior	<u>72</u>	423
Personal Property		
2007	27	
2006	6	
2005	9	
2004	11	
Prior	<u>7</u>	60
Tax Liens		50
Tax Possessions		<u>21</u>
Total		<u>\$ 554</u>

**7. Intergovernmental Receivables**

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2007.

**8. Warrants and Accounts Payable**

Warrants payable represent 2007 expenditures paid by July 15, 2007 as permitted by law. Accounts payable represent additional 2007 expenditures paid after July 15, 2007.

**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, 2007 receivable balances.

**10. Notes Payable**

The Town had no notes outstanding at June 30, 2007.

The following summarizes activity in notes payable during fiscal year 2007:

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Governmental Funds:				
State anticipation	\$ <u>250,000</u>	\$ <u>-</u>	\$ <u>250,000</u>	\$ <u>-</u>
Business-type Activities:				
State anticipation	\$ <u>1,300,000</u>	\$ <u>882,000</u>	\$ <u>2,182,000</u>	\$ <u>-</u>

## 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 governmental and proprietary fund purposes. General obligation bonds currently outstanding are as follows:

	Serial Maturities Through	Interest Rate(s)%	Amount Outstanding as of June 30, 2007
<u>Governmental Funds:</u>			
<u>Bonds Payable:</u>			
Landfill capping	05/23/24	5.95	\$ <u>176,800</u>
Total Governmental Funds			176,800
<u>Business-Type Activities:</u>			
<u>Bonds Payable:</u>			
Water Bond - FmHA	06/04/25	4.875	99,240
Water Bond - FmHA	06/08/42	4.375	1,090,344
Water Bond - FmHA	12/16/43	4.5	1,262,712
Water Bond - FmHA	08/28/45	4.375	1,300,623
Water Bond - FmHA	06/12/46	4.125	<u>882,000</u>
Total Bonds Payable - Business-Type Activities			<u>4,634,919</u>
Total All Debt			<u>\$ <u>4,811,719</u></u>

### B. Future Debt Service

The annual principal payments to retire all general obligation long-term debt outstanding as of June 30, 2007 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 10,400	\$ 10,520	\$ 20,920
2009	10,400	9,901	20,301
2010	10,400	9,282	19,682
2011	10,400	8,663	19,063
2012	10,400	8,044	18,444
2013 - 2017	52,000	30,940	82,940
2018 - 2022	52,000	15,470	67,470
2023 - 2027	20,800	1,855	22,655
Total	<u>\$ 176,800</u>	<u>\$ 94,675</u>	<u>\$ 271,475</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 84,411	\$ 202,648	\$ 287,059
2009	85,787	198,976	284,763
2010	87,224	195,243	282,467
2011	88,727	191,444	280,171
2012	90,296	187,579	277,875
2013 - 2017	477,610	877,326	1,354,936
2018 - 2022	528,903	768,635	1,297,538
2023 - 2027	575,749	647,816	1,223,565
Thereafter	<u>2,616,212</u>	<u>1,154,240</u>	<u>3,770,452</u>
Total	<u>\$ 4,634,919</u>	<u>\$ 4,423,907</u>	<u>\$ 9,058,826</u>

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

During the year ended June 30, 2007, the following changes occurred in long-term liabilities:

	Total Balance July 1, 2006	Additional	Reduction	Total Balance June 30, 2007	Less Current Portion	Equals Long-Term Portion June 30, 2007
Governmental Activities						
Bonds payable	<u>\$ 187,200</u>	<u>\$ -</u>	<u>\$ (10,400)</u>	<u>\$ 176,800</u>	<u>\$ (10,400)</u>	<u>\$ 166,400</u>
Business-Type Activities						
Bonds payable	<u>\$ 2,500,125</u>	<u>\$ 2,182,623</u>	<u>\$ (47,829)</u>	<u>\$ 4,634,919</u>	<u>\$ (84,411)</u>	<u>\$ 4,550,508</u>

## 12. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Town to perform certain maintenance and monitoring functions at the site for thirty years after closure. The Town closed its landfill in 2000. The estimated cost of monitoring the landfill for the next 23 years is \$ 60,030. This amount is based on what it would cost to perform all post-closure care in 2007. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

### 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, 2007:

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. 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 (RDA). As of August 28, 2006, the Town had received approval for phases one, two and three of the project funding, which consist of loans of \$ 3,773,123 and grants of \$ 2,757,937.

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, 2007 were \$ 7,853,919.

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 - Substantially Complete December 2006
- Phase Three - Substantially Complete July 2007

## 15. **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, 2007, 2006 and 2005 were \$ 19,427, \$ 21,685 and \$ 19,848, respectively, which were equal to its annual required contributions for each of these years.

## 16. **Risk Management**

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

17. **Beginning Fund Balance Reclassification**

The Town's major governmental funds for fiscal year 2007, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity 07/01/06 (as previously reported)	Reclass.	Fund Equity 07/01/06 (as restated)
Local road improvements	\$ (6,753)	\$ 6,753	\$ -
Nonmajor governmental funds	<u>743,400</u>	<u>(6,753)</u>	<u>736,647</u>
Total	<u>\$ 736,647</u>	<u>\$ -</u>	<u>\$ 736,647</u>