

**TOWN OF BLANDFORD, MASSACHUSETTS**

**Annual Financial Statements**

**For the Year Ended June 30, 2008**

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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, 2008, 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. Also 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

*Additional Offices:*

*Andover, MA • Manchester, NH • Nashua, NH • Ellsworth, ME*

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.

Due to the existence of significant variances between the Town's general ledger and supporting detail maintained by the Town Collector, we were unable to form an opinion as to the accuracy of the receivable balances for water user charges and real estate taxes. These balances are stated at \$ 441,164, and \$ 549,053 respectively, in the accompanying financial statements as of June 30, 2008.

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, 2008 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 November 9, 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  
November 9, 2009

TOWN OF BLANDFORD, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2008

|  | <u>General</u>             | <u>Beech Hill Road<br/>Improvements</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|----------------------------|---|--|---|
| <b>ASSETS</b>                              |                            |   |  |   |
| Cash and short-term investments            | \$ 309,550                 | \$ 400,000                              | \$ 357,308                                 | \$ 1,066,858                            |
| Investments                                | -                          | -                                       | 671,847                                    | 671,847                                 |
| Receivables:                               |                            |   |  |   |
| Property taxes                             | 688,933                    | -                                       | -  | 688,933                                 |
| Excises                                    | 87,877                     | -                                       | -  | 87,877                                  |
| Intergovernmental                          | -                          | -                                       | 14,071                                     | 14,071                                  |
| Departmental and other                     | 471                        | -                                       | -  | 471                                     |
| Other assets                               | <u>3,862</u>               | <u>-</u>                                | <u>-</u>                                   | <u>3,862</u>                            |
| <b>TOTAL ASSETS</b>                        | <b><u>\$ 1,090,693</u></b> | <b><u>\$ 400,000</u></b>                | <b><u>\$ 1,043,226</u></b>                 | <b><u>\$ 2,533,919</u></b>              |
| <b>LIABILITIES AND FUND BALANCES</b>       |                            |   |  |   |
| Liabilities:                               |                            |   |  |   |
| Warrants payable                           | \$ 45,526                  | \$ -                                    | \$ -                                       | \$ 45,526                               |
| Accrued payroll                            | 10,747                     | -                                       | -  | 10,747                                  |
| Deferred revenues                          | <u>777,281</u>             | <u>-</u>                                | <u>-</u>                                   | <u>777,281</u>                          |
| <b>TOTAL LIABILITIES</b>                   | <b>833,554</b>             | <b>-</b>                                | <b>-</b>                                   | <b>833,554</b>                          |
| Fund Balances:                             |                            |   |  |   |
| Reserved for:                              |                            |   |  |   |
| Encumbrances                               | 21,125                     | -                                       | -  | 21,125                                  |
| Expenditures                               | 27,500                     | -                                       | -  | 27,500                                  |
| Perpetual (nonexpendable) permanent funds  | -                          | -                                       | 641,975                                    | 641,975                                 |
| Unreserved:                                |                            |   |  |   |
| Undesignated, reported in:                 |                            |   |  |   |
| General fund                               | 208,514                    | -                                       | -  | 208,514                                 |
| Special revenue funds                      | -                          | 400,000                                 | 128,650                                    | 528,650                                 |
| Permanent funds                            | <u>-</u>                   | <u>-</u>                                | <u>272,601</u>                             | <u>272,601</u>                          |
| <b>TOTAL FUND BALANCES</b>                 | <b><u>257,139</u></b>      | <b><u>400,000</u></b>                   | <b><u>1,043,226</u></b>                    | <b><u>1,700,365</u></b>                 |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b><u>\$ 1,090,693</u></b> | <b><u>\$ 400,000</u></b>                | <b><u>\$ 1,043,226</u></b>                 | <b><u>\$ 2,533,919</u></b>              |

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, 2008

|  | <u>General</u> | <u>Beech Hill Road<br/>Improvements</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|----------------|---|--|---|
| <b>Revenues:</b>                                     |                |   |  |   |
| Property taxes                                       | \$ 1,543,601   | \$ -                                    | \$ -                                       | \$ 1,543,601                            |
| Excises  | 119,830        | -                                       | -  | 119,830                                 |
| Penalties, interest and other taxes:                 | 173,893        | -                                       | -  | 173,893                                 |
| Charges for services                                 | 55,674         | -                                       | 20,749                                     | 76,423                                  |
| Intergovernmental                                    | 208,199        | 400,000                                 | 258,790                                    | 866,989                                 |
| Licenses and permits                                 | 2,734          | -                                       | -  | 2,734                                   |
| Fines and forfeitures                                | 13,330         | -                                       | -  | 13,330                                  |
| Investment income (loss)                             | 17,537         | -                                       | (106,980)                                  | (89,443)                                |
| Miscellaneous  | 3,496          | -                                       | 1,828                                      | 5,324                                   |
|  | <hr/>          | <hr/>                                   | <hr/>                                      | <hr/>                                   |
| Total Revenues                                       | 2,138,294      | 400,000                                 | 174,387                                    | 2,712,681                               |
| <b>Expenditures:</b>                                 |                |   |  |   |
| Current:   |                |   |  |   |
| General government                                   | 194,245        | -                                       | -  | 194,245                                 |
| Public safety  | 63,426         | -                                       | 155,970                                    | 219,396                                 |
| Education  | 1,602,028      | -                                       | -  | 1,602,028                               |
| Public works   | 403,480        | -                                       | 184,492                                    | 587,972                                 |
| Health and human services                            | 20,976         | -                                       | 4,148                                      | 25,124                                  |
| Culture and recreation                               | 36,648         | -                                       | 14,374                                     | 51,022                                  |
| Employee benefits                                    | 86,919         | -                                       | -  | 86,919                                  |
| Debt service   | 20,920         | -                                       | -  | 20,920                                  |
| Intergovernmental                                    | 11,737         | -                                       | -  | 11,737                                  |
|  | <hr/>          | <hr/>                                   | <hr/>                                      | <hr/>                                   |
| Total Expenditures                                   | 2,440,379      | -                                       | 358,984                                    | 2,799,363                               |
| Excess (deficiency) of revenues<br>over expenditures | (302,085)      | 400,000                                 | (184,597)                                  | (86,682)                                |
| <b>Other Financing Sources (Uses):</b>               |                |   |  |   |
| Bond proceeds  | -              | -                                       | 75,000                                     | 75,000                                  |
| Transfers in   | 40,000         | -                                       | 6,269                                      | 46,269                                  |
| Transfers out  | (6,269)        | -                                       | (40,000)                                   | (46,269)                                |
|  | <hr/>          | <hr/>                                   | <hr/>                                      | <hr/>                                   |
| Total Other Financing Sources (Uses)                 | 33,731         | -                                       | 41,269                                     | 75,000                                  |
| Change in fund balance                               | (268,354)      | 400,000                                 | (143,328)                                  | (11,682)                                |
| Fund Equity, at Beginning of Year, as reclassified   | <hr/>          | <hr/>                                   | <hr/>                                      | <hr/>                                   |
| Fund Equity, at End of Year                          | \$ 257,139     | \$ 400,000                              | \$ 1,043,226                               | \$ 1,700,365                            |

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, 2008

|  | Budgeted Amounts   |                  | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|--------------------|------------------|-------------------|---|
|  | Original<br>Budget | Final<br>Budget  |                   |   |
| <b>Revenues and Other Sources:</b>   |                    |                  |                   |   |
| Property taxes   | \$ 1,682,565       | \$ 1,682,565     | \$ 1,682,565      | \$ -  |
| Excise   | 150,000            | 150,000          | 119,830           | (30,170)  |
| Penalties, interest and other taxes  | 145,000            | 145,000          | 173,893           | 28,893  |
| Charges for services   | 47,000             | 47,000           | 55,674            | 8,674   |
| Intergovernmental  | 211,888            | 211,888          | 208,199           | (3,689)   |
| Licenses and permits   | 14,000             | 14,000           | 2,734             | (11,266)  |
| Fines and forfeits   | 7,000              | 7,000            | 13,330            | 6,330   |
| Investment income  | 5,000              | 5,000            | 17,537            | 12,537  |
| Miscellaneous  | -                  | -                | 3,496             | 3,496   |
| Transfers in   | 40,000             | 40,000           | 40,000            | -   |
| Other sources  | 170,000            | 176,269          | 176,269           | -   |
| <b>Total Revenues and Other Sources</b>  | <b>2,472,453</b>   | <b>2,478,722</b> | <b>2,493,527</b>  | <b>14,805</b>   |
| <b>Expenditures and Other Uses:</b>  |                    |                  |                   |   |
| General government   | 251,467            | 251,467          | 209,219           | 42,248  |
| Public safety  | 65,191             | 65,191           | 63,426            | 1,765   |
| Education  | 1,574,378          | 1,574,378        | 1,603,006         | (28,628)  |
| Public works   | 357,563            | 357,563          | 403,480           | (45,917)  |
| Health and human services  | 24,020             | 24,020           | 20,976            | 3,044   |
| Culture and recreation   | 38,353             | 38,353           | 36,971            | 1,382   |
| Employee benefits  | 99,730             | 99,730           | 86,919            | 12,811  |
| Debt service   | 25,920             | 25,920           | 20,920            | 5,000   |
| Intergovernmental  | 13,032             | 13,032           | 11,737            | 1,295   |
| Transfers out  | -                  | 6,269            | 6,269             | -   |
| Other uses   | 22,799             | 22,799           | 22,799            | -   |
| <b>Total Expenditures and Other Uses</b>   | <b>2,472,453</b>   | <b>2,478,722</b> | <b>2,485,722</b>  | <b>(7,000)</b>  |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | \$ -               | \$ -             | \$ 7,805          | \$ 7,805  |

See notes to financial statements.

TOWN OF BLANDFORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2008

|  | Business-Type<br>Activities     |
|--|---------------------------------|
|  | <u>Water<br/>Fund</u>           |
| <b><u>ASSETS</u></b>                               |                                 |
| Current:   |                                 |
| Cash and short-term investments                    | \$ 61,758                       |
| User charges receivable                            | 441,165                         |
| Utility liens receivable                           | <u>84,998</u>                   |
| Total current assets                               | 587,921                         |
| Noncurrent:  |                                 |
| Capital assets, net<br>of accumulated depreciation | <u>4,550,508</u>                |
| Total noncurrent assets                            | <u>4,550,508</u>                |
| <b>TOTAL ASSETS</b>                                | <b>5,138,429</b>                |
| <b><u>LIABILITIES</u></b>                          |                                 |
| Current:   |                                 |
| Warrants payable                                   | 5,026                           |
| Accrued payroll                                    | 2,499                           |
| Accrued interest                                   | 55,176                          |
| Current portion of long-term liabilities:          |                                 |
| Bonds payable                                      | <u>85,786</u>                   |
| Total current liabilities                          | 148,487                         |
| Noncurrent:  |                                 |
| Bonds payable, net of current portion              | <u>4,464,722</u>                |
| Total noncurrent liabilities                       | <u>4,464,722</u>                |
| <b>TOTAL LIABILITIES</b>                           | <b>4,613,209</b>                |
| <b><u>NET ASSETS</u></b>                           |                                 |
| Restricted for capital project                     | (86)                            |
| Unrestricted                                       | <u>525,306</u>                  |
| <b>TOTAL NET ASSETS</b>                            | <b>\$ <u><u>525,220</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, 2008

|   | Business-Type<br>Activities<br><u>Water</u><br><u>Fund</u> |
|---|--|
| <b>Operating Revenues:</b>                  |  |
| Charges for services                        | \$ <u>678,045</u>  |
| Total Operating Revenues                    | 678,045  |
| <b>Operating Expenses:</b>                  |  |
| Salaries and wages                          | 64,725   |
| Purchased services/materials and supplies   | 426,196  |
| Depreciation                                | <u>84,411</u>  |
| Total Operating Expenses                    | <u>575,332</u>   |
| Operating Income                            | 102,713  |
| <b>Nonoperating Revenues (Expenses):</b>    |  |
| Investment income                           | 4,211  |
| Interest expense                            | (223,622)  |
| Capital outlay                              | (19,651)   |
| Intergovernmental revenue - capital         | <u>295,823</u>   |
| Total Nonoperating Revenues (Expenses), net | <u>56,761</u>  |
| Change in Net Assets                        | 159,474  |
| Net Assets at Beginning of Year             | <u>365,746</u>   |
| Net Assets at End of Year                   | <u><u>\$ 525,220</u></u>                                   |

See notes to financial statements.

TOWN OF BLANDFORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2008

|   | Business-Type<br>Activities<br><u>Water<br/>Fund</u> |
|---|--|
| <b><u>Cash Flows From Operating Activities:</u></b>   |  |
| Receipts from customers and users   | \$ 371,920   |
| Payments to vendors and employees   | <u>(552,422)</u>                                     |
| Net Cash (Used For) Operating Activities  | (180,502)  |
| <b><u>Cash Flows From Capital and Related Financing Activities:</u></b>                               |  |
| Acquisition and construction of capital assets  | (104,062)  |
| Interest expense  | (202,647)  |
| Intergovernmental subsidy   | <u>295,823</u>                                       |
| Net Cash (Used For) Capital and Related Financing Activities  | (10,886)   |
| <b><u>Cash Flows From Investing Activities:</u></b>   |  |
| Investment income   | <u>4,211</u>   |
| Net Cash Provided By Investing Activities   | <u>4,211</u>   |
| Net Change in Cash and Short-Term Investments   | (187,177)  |
| Cash and Short Term Investments, Beginning of Year  | <u>248,935</u>                                       |
| Cash and Short Term Investments, End of Year  | <u>\$ 61,758</u>                                     |
| <b><u>Reconciliation of Operating Income to Net Cash<br/>Provided by Operating Activities:</u></b>    |  |
| Operating income  | \$ 102,713   |
| Adjustments to reconcile operating income to net<br>cash provided by (used for) operating activities: |  |
| Depreciation  | 84,411   |
| Changes in assets and liabilities:  |  |
| User fees   | (342,983)  |
| Intergovernmental receivable  | 54,354   |
| Warrants payable  | (56,974)   |
| Accrued payroll and withholdings  | (3,053)  |
| Other liabilities   | <u>(18,970)</u>                                      |
| Net Cash (Used For) Operating Activities  | <u>\$ (180,502)</u>                                  |

See notes to financial statements.

TOWN OF BLANDFORD, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2008

|                                 | Agency<br>Funds        |
|---------------------------------|------------------------|
| <b><u>ASSETS</u></b>            |                        |
| Cash and short-term investments | \$ <u>8,047</u>        |
| Total Assets                    | 8,047                  |
| <br><b><u>LIABILITIES</u></b>   |                        |
| Other liabilities               | <u>8,047</u>           |
| Total Liabilities               | \$ <u><u>8,047</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 2008, 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 *Beech Hill Road Improvements fund* is a special revenue fund established to account for funds received from the Springfield Water and Sewer Commission to fund improvements to Beech Hill Road.

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 2008 tax levy reflected an excess capacity of \$ 6,206.

*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, accounting principles generally accepted in the United States 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<br/>and Other<br/>Financing Sources</u> | <u>Expenditures<br/>and Other<br/>Financing Uses</u> |
|---|---|--|
| Revenues/Expenditures (GAAP basis)                                      | \$ 2,138,294  | \$ 2,440,379   |
| Other financing sources/uses (GAAP basis)                               | <u>40,000</u>                                       | <u>6,269</u>   |
| Subtotal (GAAP basis)   | 2,178,294   | 2,446,648  |
| Adjust tax revenue to accrual basis                                     | 138,964   | -  |
| Reverse beginning of year appropriation carryforwards from expenditures | -   | (4,850)  |
| Add end of year appropriation carryforwards to expenditures             | -   | 21,125   |
| Recognize use of fund balance as funding source/use                     | <u>176,269</u>                                      | <u>22,799</u>  |
| Budgetary basis   | <u><u>\$ 2,493,527</u></u>                          | <u><u>\$ 2,485,722</u></u>                           |



*D. Excess of Expenditures Over Appropriation*

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

|                             |             |
|-----------------------------|-------------|
| Vocational Education        | \$ (27,650) |
| Public Works – Snow and Ice | (52,380)    |

*E. Deficit Fund Equity*

The following fund had a deficit fund balance as of June 30, 2008:

|                       |             |
|-----------------------|-------------|
| Special Revenue Fund: |             |
| FEMA Storm Damage 07  | \$ (13,584) |

**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, 2008, \$ 476,143 of the Town's bank balance of \$ 1,373,127 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 Law, Chapter 44, Section 55, limits the Town's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below (in thousands) is the actual rating as of year end for each investment of the Town:

| <u>Investment Type</u>   | <u>Fair Value</u> | <u>Minimum Legal Rating</u> | <u>Exempt From Disclosure</u> |
|--------------------------|-------------------|-----------------------------|-------------------------------|
| Certificates of deposits | \$ 130            | N/A                         | \$ 130                        |
| Corporate equities       | 420               | N/A                         | 420                           |
| Mutual funds             | 122               | N/A                         | 122                           |
| Total investments        | <u>\$ 672</u>     |                             | <u>\$ 672</u>                 |

**B. Custodial Credit Risk**

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

Of the investment in certificate of deposits and corporate equities of \$ 549,935, the government has a custodial credit risk exposure of \$ 307,437 because the related securities are uninsured, unregistered and held by the Town's brokerage firm, which is also the Counterparty to these securities. The remaining investments consist of mutual funds, which are not subject to 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 CD                          | \$ 61,996 |
| General Electric Corporation Common Stock | 61,494    |

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

| <u>Investment Type</u>  | <u>Investment Maturities (in Years)</u> |                    |              |              |               |
|-------------------------|---|--------------------|--------------|--------------|---------------|
|                         | <u>Fair Value</u>                       | <u>Less Than 1</u> | <u>1-5</u>   | <u>6-10</u>  | <u>N/A</u>    |
| Certificates of deposit | \$ 130                                  | \$ 33              | \$ 77        | \$ 20        | \$ -          |
| Corporate equities      | 420                                     | -                  | -            | -            | 420           |
| Mutual funds            | 122                                     | -                  | -            | -            | 122           |
| Total                   | <u>\$ 672</u>                           | <u>\$ 33</u>       | <u>\$ 77</u> | <u>\$ 20</u> | <u>\$ 542</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, 2008 consist of the following (in thousands):

|                   |            |               |
|-------------------|------------|---------------|
| Real Estate       |            |               |
| 2008              | \$ 204     |               |
| 2007              | 163        |               |
| 2006              | 41         |               |
| 2005              | 27         |               |
| Prior             | <u>114</u> | 549           |
| Personal Property |            |               |
| 2008              | 8          |               |
| 2007              | 28         |               |
| 2006              | 6          |               |
| 2005              | 9          |               |
| Prior             | <u>18</u>  | 69            |
| Tax Liens         |            | 50            |
| Tax Possessions   |            | <u>21</u>     |
| Total             |            | <u>\$ 689</u> |

**7. Intergovernmental Receivables**

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2008.

**8. Warrants Payable**

Warrants payable represent 2008 expenditures paid by July 15, 2008 as permitted by law.

**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, 2008 receivable balances.

**10. 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<br>Maturities<br><u>Through</u> | Interest<br>Rate(s)%<br><u>Rate(s)%</u> | Amount<br>Outstanding<br>as of<br><u>June 30, 2008</u> |
|----------------------------------|--|---|--|
| <u>Governmental Funds:</u>       |  |   |  |
| <u>Notes Payable: *</u>          |  |   |  |
| Highway equipment                | 09/18/08                               | 2.18                                    | \$ 75,000  |
| <u>Bonds Payable:</u>            |  |   |  |
| Landfill capping                 | 05/23/24                               | 5.95                                    | <u>166,400</u>   |
| Total Governmental Funds         |  |   | 241,400  |
| <u>Business-Type Activities:</u> |  |   |  |
| <u>Bonds Payable:</u>            |  |   |  |
| Water Bond - FmHA                | 06/04/25                               | 4.875                                   | 95,676   |
| Water Bond - FmHA                | 06/08/42                               | 4.375                                   | 1,059,191  |
| Water Bond - FmHA                | 12/16/43                               | 4.5                                     | 1,248,836  |
| Water Bond - FmHA                | 08/28/45                               | 4.375                                   | 1,287,421  |
| Water Bond - FmHA                | 06/12/46                               | 4.125                                   | <u>859,384</u>   |
| Business-Type Activities         |  |   | <u>4,550,508</u>                                       |
| Total All Debt                   |  |   | <u>\$ 4,791,908</u>                                    |

\* This borrowing is a short-term note intended to finance this project over the next few years. This is being accomplished by rolling over a short-term note for a lesser

amount each year. The interest rate reported is the interest rate for the short-term note issued in fiscal year 2008 and due in fiscal year 2009.

**B. Future Debt Service**

The annual principal payments to retire all bonds payable outstanding as of June 30, 2008 are as follows:

| <u>Governmental</u> | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
|---------------------|-------------------|------------------|-------------------|
| 2008                | \$ 10,400         | \$ 9,901         | \$ 20,301         |
| 2009                | 10,400            | 9,282            | 19,682            |
| 2010                | 10,400            | 8,663            | 19,063            |
| 2011                | 10,400            | 8,044            | 18,444            |
| 2012                | 10,400            | 7,426            | 17,826            |
| 2013 - 2017         | 52,000            | 27,846           | 79,846            |
| 2018 - 2022         | 52,000            | 12,374           | 64,374            |
| 2023 - 2027         | 10,400            | 619              | 11,019            |
| Total               | <u>\$ 166,400</u> | <u>\$ 84,155</u> | <u>\$ 250,555</u> |

| <u>Business-Type</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|----------------------|---------------------|---------------------|---------------------|
| 2008                 | \$ 85,786           | \$ 198,976          | \$ 284,762          |
| 2009                 | 87,224              | 195,243             | 282,467             |
| 2010                 | 88,726              | 191,444             | 280,170             |
| 2011                 | 90,296              | 187,579             | 277,875             |
| 2012                 | 91,937              | 183,642             | 275,579             |
| 2013 - 2017          | 486,986             | 856,470             | 1,343,456           |
| 2018 - 2022          | 540,586             | 745,473             | 1,286,059           |
| 2023 - 2027          | 581,074             | 622,611             | 1,203,685           |
| Thereafter           | 2,497,893           | 1,039,819           | 3,537,712           |
| Total                | <u>\$ 4,550,508</u> | <u>\$ 4,221,257</u> | <u>\$ 8,771,765</u> |

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

During the year ended June 30, 2008, the following changes occurred in long-term liabilities:

|  | <u>Total<br/>Balance<br/>July 1, 2007</u> | <u>Addition</u>  | <u>Reduction</u>   | <u>Total<br/>Balance<br/>June 30, 2008</u> | <u>Less<br/>Current<br/>Portion</u> | <u>Equals<br/>Long-Term<br/>Portion<br/>June 30, 2008</u> |
|--|---|------------------|--------------------|--|-------------------------------------|---|
| <b><u>Governmental Activities</u></b>  |   |                  |                    |  |                                     |   |
| Bonds payable                          | \$ 176,800                                | \$ -             | \$ (10,400)        | \$ 166,400                                 | \$ (10,400)                         | \$ 156,000  |
| Notes payable                          | -   | 75,000           | -                  | 75,000                                     | (20,000)                            | 55,000  |
| Other:                                 |   |                  |                    |  |                                     |   |
| Landfill closure                       | 60,030                                    | -                | (2,610)            | 57,420                                     | (2,610)                             | 54,810  |
| Totals                                 | <u>\$ 236,830</u>                         | <u>\$ 75,000</u> | <u>\$ (13,010)</u> | <u>\$ 298,820</u>                          | <u>\$ (33,010)</u>                  | <u>\$ 265,810</u>   |
| <b><u>Business-Type Activities</u></b> |   |                  |                    |  |                                     |   |
| Bonds payable                          | \$ 4,634,919                              | \$ -             | \$ (84,411)        | \$ 4,550,508                               | \$ (85,786)                         | \$ 4,464,722  |
| Totals                                 | <u>\$ 4,634,919</u>                       | <u>\$ -</u>      | <u>\$ (84,411)</u> | <u>\$ 4,550,508</u>                        | <u>\$ (85,786)</u>                  | <u>\$ 4,464,722</u>                                       |

**11. 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 22 years is \$ 57,420. This amount is based on what it would cost to perform all post-closure care in 2008. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

**12. 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, 2008:

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.

**13. General Fund Undesignated Fund Balance**

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

Massachusetts general laws include provisions to allow municipalities to over-expend 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 over expenditures, 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       | \$ 208,514        |
| Appropriation deficits   | <u>85,964</u>     |
| Statutory (UMAS) Balance | <u>\$ 294,478</u> |

**14. Subsequent Events**

*A. Investments*

Since September, 2008, the stock market has suffered significant losses. As a result, there may be a substantial depreciation in the value of the Town's investments.

*B. Debt*

Subsequent to June 30, 2008, the Town has incurred the following additional debt:

|                             | <u>Amount</u> | <u>Interest Rate</u> | <u>Issue Date</u> | <u>Maturity Date</u> |
|-----------------------------|---------------|----------------------|-------------------|----------------------|
| State House note (rollover) | \$ 55,000     | 2.48%                | 09/18/08          | 09/18/09             |
| Revenue anticipation        | \$ 350,000    | 2.75%                | 02/09/09          | 05/12/09             |

**15. 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.

**16. Pension Plan**

The Town follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, with respect to 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, 2008, 2007 and 2006 were \$ 28,055, \$ 19,427, and \$ 21,685, respectively, which were equal to its annual required contributions for each of these years.

**17. Post-Employment Health Care and Life Insurance Benefits**

In addition to the pension benefits described in the previous note, the Town provides postemployment health care and life insurance benefits, in accordance with state statute, to participating retirees. Presently the Town finances these benefits on the pay-as-you-go basis and does not contribute to a qualified plan (trust) as defined by *GASB Statement No. 43 Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*.

The Town plans to fully implement *GASB Statement No. 45, Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions* when it becomes effective (for the Town) in fiscal year 2010.

**18. 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.

**19. Beginning Fund Balance Reclassification**

The Town's major governmental funds for fiscal year 2008, as defined by GASB Statement 34, have changed from the previous fiscal year.

Accordingly, the following reconciliation is provided:

|                             | Fund Equity<br>07/01/07<br>(as previously<br>classified) | <u>Reclassification</u> | Fund Equity<br>07/01/07<br>(as reclassified) |
|-----------------------------|--|-------------------------|--|
| Watson Dean Park Trust      | \$ 401,128   | \$ (401,128)            | \$ -   |
| Nonmajor governmental funds | <u>785,426</u>   | <u>401,128</u>          | <u>1,186,554</u>                             |
| Total                       | <u>\$ 1,186,554</u>                                      | <u>\$ -</u>             | <u>\$ 1,186,554</u>                          |

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

To the Board of Selectmen  
Town of Blandford, Massachusetts

We have audited the financial statements of the governmental activities and each major fund of the Town of Blandford, Massachusetts as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements and have issued our report thereon dated November 9, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control. We consider the deficiencies described in findings 08-1 to 08-3 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that all of the significant deficiencies described below are material weaknesses.

08-1 IMPROVE RECORD KEEPING – ASSESSORS' OFFICE (COMPLIANCE FINDING/MATERIAL WEAKNESS)

During our audit, we noted the Assessors office was unable to locate all the personal property and excise tax abatements issued during the fiscal year.

As custodian of Town records, the Assessors must safely store and retain original records. A municipal record disposition schedule for Assessors (available from the Archives Division – Records Management Section of the Office of the Secretary of State) details retention requirements for each type of document originating in the Assessor's office.

We recommend the Assessors' Office, as originators of abatement documentation, establish procedures to ensure that all original documentation is retained, properly approved and locatable.

08-2 IMPROVE CONTROLS OVER DISBURSEMENTS (MATERIAL WEAKNESS)

During our detailed testing of internal controls over disbursements, we noted the following:

- Three instances where the warrant was not approved
- Three invoices were not approved by the department for payment
- One instance where an invoice for truck repairs was charged to training and supplies

Documentation, authorization and invoice review procedures are integral parts of a good system of internal controls and provide assurance that the Town's expenditures are legitimate and accurate.

We recommend the Town establish formal procedures concerning invoice processing which include ensuring proper documentation, authorization and retention of invoices.

08-3 IMPLEMENT RECONCILIATION PROCEDURES FOR KEY GENERAL LEDGER ACCOUNTS (MATERIAL WEAKNESS)

Our inquiries found that accounts receivable are not reconciled on a regular (monthly/quarterly) basis.

Reconciliation of general ledger balances to supporting documentation and adjustments of activity and records is integral in ensuring the accuracy of the Town's accounting records.

As a result of this lack of procedures we noted the following issues:

- Real estate taxes receivable could not be reconciled to the Collector's detail. The variance is material and results in an audit opinion exception.
- Water user charges could not be reconciled to the Collector's detail. The variance is material and result in an audit opinion exception. In addition, numerous audit adjustments, to adjust commitments to actual, and remove liens from user charges, were needed to correct these accounts.
- Water liens and motor vehicle excise receivables as reported in the general ledger were at variance with the Collector's detail although the variances were not considered to be material.
- Two batches totaling approximately \$ 55,000 were recorded by the Collector as receipts in fiscal year 2008 but not turned over to the Treasurer or Accountant until fiscal year 2009. Had a reconciliation occurred, this timing difference would have been discovered.

Lack of an adequate reconciliation process minimizes the benefit gained by segregating duties and greatly increases the risk that errors or irregularities could occur and go undetected. It may also delay the Town's ability to certify the year-end "free cash" balance since Department of Revenue directives require a receivable reconciliation at year end as part of the certification process.

We recommend the Town establish formal procedures to reconcile key general ledger accounts on a monthly basis. This will provide additional assurance that accurate information is provided to Town management and will reduce the likelihood that errors or irregularities could occur and go undetected and assure that free cash certifications can be completed in a timely manner. This will also reduce the effort required to close the books at year end.

In addition, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the Town in a separate letter dated November 9, 2009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance

with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that is required to be reported under *Government Auditing Standards*; however, we noted certain matters that we reported to the management of the Town in a separate letter dated November 9, 2009.

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

*Melanson Heath + Company P.C.*

Greenfield, Massachusetts  
November 9, 2009