

TOWN OF BLANDFORD, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen

We have audited the accompanying financial statements of the business-type activities, each major fund and the aggregate remaining fund information of the Town of Blandford, Massachusetts, as of and for the year ended June 30, 2011, which collectively comprise a portion of the Town's basic financial statements 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.

Additional Offices:

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

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 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, Town Treasurer and the Water Department, we were unable to form an opinion as to the accuracy of the receivable balances for property taxes, excises, water user charges, and water utility liens. These balances are stated at \$ 680,151, \$ 60,995, \$ 133,869, and \$ 132,023, respectively, in the accompanying financial statements as of June 30, 2011.

The Town has not implemented the Government Accounting Standards Board Statement 45 (GASB 45) which requires that an actuarial valuation be performed of post-employment benefits paid to Town retirees as well as financial statement disclosures related to that actuarial valuation. As a result these financial statements do not include complete disclosures of the actuarial liability for post-employment benefits as required by generally accepted accounting principles.

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, Massachusetts as of June 30, 2011 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 December 3, 2012, 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.

December 3, 2012

TOWN OF BLANDFORD, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2011

	<u>General</u>	<u>Watson Dean Park</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 525,725	\$ 46,803	\$ 176,607	\$ 749,135
Investments	-	353,650	273,086	626,736
Receivables:				
Property taxes	680,151	-	-	680,151
Excises	60,995	-	-	60,995
Intergovernmental	75,064	-	-	75,064
Loans	-	-	19,605	19,605
Departmental and other	471	-	-	471
TOTAL ASSETS	<u>\$ 1,342,406</u>	<u>\$ 400,453</u>	<u>\$ 469,298</u>	<u>\$ 2,212,157</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Warrants payable	\$ 56,866	\$ -	\$ -	\$ 56,866
Accrued payroll	13,986	-	-	13,986
Other liabilities	18,239	-	-	18,239
Deferred revenues	741,613	-	19,605	761,218
TOTAL LIABILITIES	830,704	-	19,605	850,309
Fund Balances:				
Nonspendable	-	310,957	211,504	522,461
Restricted	-	89,496	238,189	327,685
Committed	10,628	-	-	10,628
Assigned	4,400	-	-	4,400
Unassigned	496,674	-	-	496,674
TOTAL FUND BALANCES	<u>511,702</u>	<u>400,453</u>	<u>449,693</u>	<u>1,361,848</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,342,406</u>	<u>\$ 400,453</u>	<u>\$ 469,298</u>	<u>\$ 2,212,157</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, 2011

	<u>General</u>	<u>Watson Dean Park</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 2,207,341	\$ -	\$ -	\$ 2,207,341
Excises	138,062	-	-	138,062
Penalties, interest and other taxes	201,467	-	-	201,467
Charges for services	93,916	-	12,520	106,436
Intergovernmental	209,941	-	350,687	560,628
Licenses and permits	3,075	-	-	3,075
Fines and forfeitures	8,806	-	-	8,806
Investment income	2,128	64,825	45,575	112,528
Miscellaneous	3,945	-	41,009	44,954
	<u>2,868,681</u>	<u>64,825</u>	<u>449,791</u>	<u>3,383,297</u>
Total Revenues				
Expenditures:				
Current:				
General government	233,484	20,000	4,833	258,317
Public safety	81,320	-	12,720	94,040
Education	1,611,974	-	3,650	1,615,624
Public works	479,844	-	316,882	796,726
Health and human services	36,849	-	3,676	40,525
Culture and recreation	43,966	-	4,416	48,382
Employee benefits	137,897	-	-	137,897
Debt service	47,031	-	-	47,031
Intergovernmental	9,423	-	-	9,423
	<u>2,681,788</u>	<u>20,000</u>	<u>346,177</u>	<u>3,047,965</u>
Total Expenditures				
Excess (deficiency) of revenues over expenditures	186,893	44,825	103,614	335,332
Other Financing Sources (Uses):				
Transfers in	112,717	-	-	112,717
Transfers out	-	-	(112,717)	(112,717)
	<u>112,717</u>	<u>-</u>	<u>(112,717)</u>	<u>-</u>
Total Other Financing Sources (Uses)				
Change in fund balance	299,610	44,825	(9,103)	335,332
Fund Equity, at Beginning of Year, as reclassified and restated	<u>212,092</u>	<u>355,628</u>	<u>458,796</u>	<u>1,026,516</u>
Fund Equity, at End of Year	<u>\$ 511,702</u>	<u>\$ 400,453</u>	<u>\$ 449,693</u>	<u>\$ 1,361,848</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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Other Sources:				
Property taxes	\$ 2,201,113	\$ 2,201,113	\$ 2,201,113	\$ -
Excise	125,000	125,000	138,062	13,062
Penalties, interest and other taxes	204,000	204,000	201,467	(2,533)
Charges for services	97,302	97,302	93,916	(3,386)
Intergovernmental	173,836	173,836	209,941	36,105
Licenses and permits	2,000	2,000	3,075	1,075
Fines and forfeitures	7,000	7,000	8,806	1,806
Investment income	-	-	2,124	2,124
Miscellaneous	-	-	3,945	3,945
Transfers in	-	-	112,717	112,717
Total Revenues and Other Sources	2,810,251	2,810,251	2,975,166	164,915
Expenditures and Other Uses:				
General government	259,344	290,660	232,884	57,776
Public safety	77,817	82,480	81,320	1,160
Education	1,736,027	1,662,027	1,611,974	50,053
Public works	433,057	458,057	479,844	(21,787)
Health and human services	25,059	37,446	36,849	597
Culture and recreation	46,163	46,163	43,966	2,197
Employee benefits	143,919	144,553	137,897	6,656
Debt service	49,656	49,656	47,031	2,625
Intergovernmental	11,169	11,169	9,423	1,746
Transfers out	7,400	7,400	7,400	-
Other uses	20,640	20,640	20,640	-
Total Expenditures and Other Uses	2,810,251	2,810,251	2,709,228	101,023
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 265,938	\$ 265,938

See notes to financial statements.

TOWN OF BLANDFORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Business-Type Activities
	<u>Water Fund</u>
<u>ASSETS</u>	
Current:	
Cash and short-term investments	\$ 120,044
User charges receivable	133,869
Utility liens receivable	<u>132,023</u>
Total current assets	385,936
Noncurrent:	
Tax liens receivable	4,511
Capital assets, net of accumulated depreciation	<u>4,288,768</u>
Total noncurrent assets	<u>4,293,279</u>
TOTAL ASSETS	4,679,215
<u>LIABILITIES</u>	
Current:	
Accrued interest	80,263
Current portion of long-term liabilities: Bonds payable	<u>90,299</u>
Total current liabilities	170,562
Noncurrent:	
Bonds payable, net of current portion	<u>4,198,389</u>
Total noncurrent liabilities	<u>4,198,389</u>
TOTAL LIABILITIES	4,368,951
<u>NET ASSETS</u>	
Unrestricted	<u>310,264</u>
TOTAL NET ASSETS	\$ <u><u>310,264</u></u>

See notes to financial statements.

TOWN OF BLANDFORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities <u>Water</u> <u>Fund</u>
Operating Revenues:	
Charges for services	\$ <u>450,025</u>
Total Operating Revenues	450,025
Operating Expenses:	
Salaries and wages	51,330
Purchased services/materials and supplies	216,791
Depreciation	<u>88,730</u>
Total Operating Expenses	<u>356,851</u>
Operating Income	93,174
Nonoperating Revenues (Expenses):	
Investment income	235
Interest expense	<u>(214,265)</u>
Total Nonoperating Revenues (Expenses), net	<u>(214,030)</u>
Change in Net Assets	(120,856)
Net Assets at Beginning of Year	<u>431,120</u>
Net Assets at End of Year	<u><u>\$ 310,264</u></u>

See notes to financial statements.

TOWN OF BLANDFORD, MASSACHUSETTS

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities Water Fund
<u>Cash Flows From Operating Activities:</u>	
Receipts from customers and users	\$ 378,694
Payments to vendors and employees	<u>(295,487)</u>
Net Cash Provided By Operating Activities	83,207
<u>Cash Flows From Capital and Related Financing Activities:</u>	
Principal debt repayments	(88,730)
Interest expense	<u>(192,374)</u>
Net Cash (Used For) Capital and Related Financing Activities	(281,104)
<u>Cash Flows From Investing Activities:</u>	
Investment income	<u>235</u>
Net Change in Cash and Short-Term Investments	(197,662)
Cash and Short Term Investments, Beginning of Year	<u>317,706</u>
Cash and Short Term Investments, End of Year	<u>\$ 120,044</u>
<u>Reconciliation of Operating Income to Net Cash Provided By Operating Activities:</u>	
Operating income	\$ 93,174
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	88,730
Changes in assets and liabilities:	
User charges	(71,331)
Warrants payable	<u>(27,366)</u>
Net Cash Provided By Operating Activities	<u>\$ 83,207</u>

See notes to financial statements.

TOWN OF BLANDFORD, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2011

	Agency Funds
<u>ASSETS</u>	
Cash and short-term investments	\$ <u>8,391</u>
Total Assets	8,391
 <u>LIABILITIES</u>	
Other liabilities	<u>8,391</u>
Total Liabilities	\$ <u><u>8,391</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 2011, 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

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 2011 tax levy reflected an excess capacity of \$ 2,654.

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

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net assets".

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The Town's fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e. inventory or prepaid items) or can never be spent (i.e. perpetual care).

- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., Town Meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

1. 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 fund on a modified accrual basis of accounting, however, accounting principles generally accepted in the United States requires it to 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 accounting principles generally accepted in the United States of America 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>	Revenues and Other <u>Financing Sources</u>	Expenditures and Other <u>Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 2,868,681	\$ 2,681,788
Other financing sources/uses (GAAP basis)	<u>112,717</u>	<u>-</u>
Subtotal (GAAP basis)	2,981,398	2,681,788
Removed the effect of adding the Town's Stabilization fund per GASB 54	(4)	7,400
Adjust tax revenue to accrual basis	(6,228)	-
Reverse beginning of year appropriation carry- forwards from expenditures	-	(5,000)
Add end of year appropriation carryforwards to expenditures	-	4,400
Other uses	<u>-</u>	<u>20,640</u>
Budgetary basis	\$ <u><u>2,975,166</u></u>	\$ <u><u>2,709,228</u></u>

D. Excess of Expenditures Over Appropriations

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

Department of Public Works \$ (21,787)

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, 2011, none of the Town's bank balance of \$ 1,519,756 was exposed to custodial credit risk as uninsured or uncollateralized.

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).

The Town's investments consist of the following, none of which are subject to credit risk rating:

<u>Investment Type</u>	<u>Fair Value</u>
Certificates of deposits	\$ 94,935
Corporate equities	406,487
Mutual funds	<u>125,314</u>
Total investments	<u>\$ 626,736</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.

\$ 5,187 of the investment in certificate of deposits and corporate equities balance of \$ 501,422 are exposed to custodial credit risk 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 mutual funds) that represent 5% or more of total investments are as follows:

General Electric Corporation Common Stock \$ 43,453

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.

The Town's investment in corporate equities and mutual funds are not subject to interest rate risk. Of the Town's certificates of deposit investments \$ 94,935, \$ 17,635 have maturities of less than one year, \$ 47,071 mature in one to five years, and \$ 30,229 mature in six to ten years.

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, 2011 consist of the following:

Real Estate			
2011	\$	138,746	
2010		141,147	
2009		115,544	
2008		84,699	
Prior		<u>28,021</u>	
			508,157
Personal Property			
2011		1,023	
2010		3,174	
2009		5,229	
2008		4,146	
Prior		<u>12,849</u>	
			26,421
Tax Liens			102,358
Tax Possessions			<u>43,215</u>
Total	\$		<u><u>680,151</u></u>

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and state agencies for expenditures incurred in fiscal 2011.

8. Loans Receivable

This balance represents loans to taxpayers for septic improvements granted under a state-sponsored Title V loan program.

9. Warrants Payable

Warrants payable represent 2011 expenditures paid by July 15, 2011 as permitted by law.

10. 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, 2011 receivable balances.

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, 2011
<u>Governmental Funds:</u>			
<u>Notes Payable: *</u>			
Highway equipment	09/16/11	1.15	\$ 15,000
Fire turnout gear	09/30/11	1.15	12,500
<u>Bonds Payable:</u>			
Landfill capping	05/23/24	5.95	<u>135,200</u>
Total Governmental Funds			162,700
<u>Business-Type Activities:</u>			
<u>Bonds Payable:</u>			
Water Bond - FmHA	06/04/25	4.875	83,823
Water Bond - FmHA	06/08/42	4.375	965,732
Water Bond - FmHA	12/16/43	4.5	1,203,348
Water Bond - FmHA	08/28/45	4.375	1,244,249
Water Bond - FmHA	06/12/46	4.125	<u>791,536</u>
Total Business-Type Activities			<u>4,288,688</u>
Total All Debt			<u>\$ 4,451,388</u>

* These borrowings are short-term notes intended to finance these projects over the next few years. This is being accomplished by rolling over short-term notes for a lesser amount each year. The interest rate reported is the interest rate for the short-term notes issued in fiscal year 2011 and due in fiscal year 2012.

B. Future Debt Service

The annual payments to retire all bonds payable outstanding as of June 30, 2011 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 10,400	\$ 8,044	\$ 18,444
2013	10,400	7,426	17,826
2014	10,400	6,807	17,207
2015	10,400	6,188	16,588
2016	10,400	5,569	15,969
2017 - 2021	52,000	18,564	70,564
2022 - 2024	<u>31,200</u>	<u>3,711</u>	<u>34,911</u>
Total	<u>\$ 135,200</u>	<u>\$ 56,309</u>	<u>\$ 191,509</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 90,299	\$ 187,576	\$ 277,875
2013	91,941	183,638	275,579
2014	93,655	179,628	273,283
2015	95,446	175,541	270,987
2016	97,318	171,373	268,691
2017 - 2021	517,749	791,268	1,309,017
2022 - 2026	570,492	672,706	1,243,198
2027 and thereafter	<u>2,731,788</u>	<u>1,273,789</u>	<u>4,005,577</u>
Total	<u>\$ 4,288,688</u>	<u>\$ 3,635,519</u>	<u>\$ 7,924,207</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2011, the following changes occurred in long-term liabilities:

	Total Balance July 1, 2010	Additions	Reductions	Total Balance June 30, 2011	Less Current Portion	Long-Term Portion June 30, 2011
<u>Governmental Activities</u>						
Notes payable	\$ 52,500	\$ 1,229,500	\$ (1,254,500)	\$ 27,500	\$ (20,000)	\$ 7,500
Bonds payable	145,600	-	(10,400)	135,200	(10,400)	124,800
Other:						
Landfill closure	<u>52,200</u>	<u>-</u>	<u>(2,610)</u>	<u>49,590</u>	<u>(2,610)</u>	<u>46,980</u>
Totals	<u>\$ 250,300</u>	<u>\$ 1,229,500</u>	<u>\$ (1,267,510)</u>	<u>\$ 212,290</u>	<u>\$ (33,010)</u>	<u>\$ 179,280</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 4,377,498	\$ -	\$ (88,810)	\$ 4,288,688	\$ (90,299)	\$ 4,198,389
Totals	<u>\$ 4,377,498</u>	<u>\$ -</u>	<u>\$ (88,810)</u>	<u>\$ 4,288,688</u>	<u>\$ (90,299)</u>	<u>\$ 4,198,389</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 19 years is \$ 49,590. This amount is based on what it would cost to perform all post-closure care in 2011. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

13. **General Fund – Balances**

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

In fiscal year 2011, The Town implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2011:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification consists of governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification consists of stabilization fund set aside by Town Meeting vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54).

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the Town's fund balances at June 30, 2011:

	<u>General</u>	<u>Watson Dean Park</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ 310,957	\$ 211,504	\$ 522,461
Restricted				
Special revenue funds	-	-	48,688	48,688
Expendable permanent funds	<u>-</u>	<u>89,496</u>	<u>189,501</u>	<u>278,997</u>
Total Restricted	-	89,496	238,189	327,685
Committed				
Stabilization fund	10,628	-	-	10,628
Assigned				
Encumbrances	4,400	-	-	4,400
Unassigned				
Unassigned	<u>496,674</u>	<u>-</u>	<u>-</u>	<u>496,674</u>
Total Fund Balance	<u>\$ 511,702</u>	<u>\$ 400,453</u>	<u>\$ 449,693</u>	<u>\$ 1,361,848</u>

14. **General Fund Unassigned Fund Balance**

The unassigned 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.

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

GAAP basis balance	\$ 496,674
Appropriation deficits	<u>21,787</u>
Statutory (UMAS) Balance	<u>\$ 518,461</u>

15. Subsequent Events

Debt

Subsequent to June 30, 2011, the Town has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
<u>Anticipation Notes</u>				
Bond anticipation note *	\$ 7,500	1.00%	09/30/11	09/28/12
Bond anticipation note	\$ 235,000	0.90%	11/01/11	09/14/12
Bond anticipation note	\$ 500,000	0.99%	11/15/11	11/15/12
Bond anticipation note	\$ 200,000	0.85%	01/20/12	01/18/13

* This is a rollover of short-term notes treated as long-term debt at June 30, 2011.

16. Commitments and Contingencies

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

17. Post-Employment Health Care and Life Insurance Benefits

In addition to the pension benefits described in the following note, the Town provides post-employment 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 has not yet implemented GASB Statement No. 45, *Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, which was effective for the Town June 30, 2011.

18. **Pension Plan**

The Town follows the provisions of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers (as amended by GASB 50)*, 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. The Town's contributions to the System for the years ended June 30, 2011, 2010, and 2009, were \$ 33,869, \$ 31,119, and \$ 21,030, respectively, which were equal to its annual required contributions for each of these years.

19. **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.

20. Beginning Fund Balance Reclassification and Restatement

The Town's major governmental funds for fiscal year 2011, as defined by GASB Statement 34, have changed from the previous fiscal year. In addition, the beginning fund balances of the Town have been restated. Accordingly, the following reconciliation is provided:

	<u>General</u>	<u>Watson Dean Park</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund Balance 6/30/10, as previously stated	\$ 208,868	\$ -	\$ 837,939	\$ 1,046,807
Reclassify major funds in accordance with GASB 34	-	355,628	(355,628)	-
Reclassify Stabilization fund in accordance with GASB 54	3,224	-	(3,224)	-
Restate to properly record septic loans	<u>-</u>	<u>-</u>	<u>(20,291)</u>	<u>(20,291)</u>
Fund Balance 6/30/10, as reclassified and restated	<u>\$ 212,092</u>	<u>\$ 355,628</u>	<u>\$ 458,796</u>	<u>\$ 1,026,516</u>

21. Implementation of New GASB Standards

The GASB has issued Statement 68, *Accounting and Financial Reporting for Pensions*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by recognizing as a liability and expense, the Town's applicable portion of the Town of Blandford's actuarially accrued liability.



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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 business-type activities, each major fund, and the aggregate remaining fund information of the Town of Blandford, Massachusetts, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 3, 2012. 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

Management of the Town is responsible for establishing and maintaining effective 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that

Additional Offices:

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all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described as items 11-1 through 11-3 in the accompanying schedule of findings and questioned costs to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 11-4 to be a significant deficiency.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the schedule of findings and questioned costs as item 11-5.

We noted other matters that we reported to management of the Town in a separate letter dated December 3, 2012.

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

Melanson Heath + Company P.C.

December 3, 2012

TOWN OF BLANDFORD, MASSACHUSETTS

Schedule of Findings

For the Year Ended June 30, 2011

**Finding
#**

Finding/Noncompliance

11-1 IMPLEMENT RECONCILIATION PROCEDURES FOR ACCOUNTS RECEIVABLE (MATERIAL WEAKNESS)

As in prior years, our inquiries found that accounts receivable are not reconciled on a regular (monthly/quarterly) basis. Reconciliation of key general ledger account balances to supporting documentation is integral to ensuring the accuracy of the Town's accounting records.

As a result of the lack of reconciliation procedures, and the lack of reliable detail receivable reports we noted the following issues:

- Property taxes, including real estate, personal property and tax liens receivable could not be reconciled to the Collector/Treasurer's detail. The variance was material and resulted in an audit opinion exception.
- Excise taxes could not be reconciled to the Collector detail. The variance was material and resulted in an audit opinion exception.
- Water user charges and water liens receivable could not be reconciled to the Water Department's detail. The variance was material and resulted in an audit opinion exception.
- Due to a number of factors including missing documents and unsupported transactions, the detail reports provided by the Collector's Office for real estate, personal property, water user charges and water liens receivable balances are not considered entirely reliable; however the general ledger balances were reduced to agree with these reports.

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 has also delayed 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. These variances are partly responsible for the Town's negative free cash position for the past several years.

We recommend the Town establish formal procedures to reconcile all accounts receivable balances on a monthly basis. This will provide additional assurance that accurate information is provided to Town management, will reduce the likelihood that errors or irregularities could occur and go undetected and will enable free cash certifications to be completed in a timely manner. This will also reduce the effort required to close the books at year end and help improve the Town's free cash balance.

11-2 IMPROVE CONTROLS IN THE TAX COLLECTOR'S OFFICE (MATERIAL WEAKNESS)

As noted in the prior year, during our review of Tax Collector's office procedures, we noted several areas where controls should be improved.

- Improve Documentation of Amount and Type of Receipt

If a taxpayer pays an amount that is different from the amount of the tax bill, it is not noted on the receipt stub. When the amount paid is different and not noted it makes the reconciliation of the day's work more difficult. In addition, receipts in cash (currency) are not consistently coded as such on the tax receipt stubs, especially in cases where the payment was a combination of cash and check. Because of the increased exposure in handling cash, it is very important that a clear audit trail exist from the time cash is accepted to the time it is deposited in the bank.

We recommend the Tax Collector's Office maintain an audit trail over all cash receipts, including notation on the receipt stub and in coding entered into the receipt system. Also, the amount of currency deposited should be proven to the receipt stubs and daily receipt posting reports. This will improve controls over cash receipts and will reduce the risk of irregularities occurring and going undetected.

- Increase Frequency of Tax Collector Turnovers

During the fiscal year we observed that the average monthly cash balance in the Tax Collector's bank account was approximately \$ 264,000 and during one month reached a high of approximately \$ 440,000. The cash balance in the Tax Collector's bank account on June 30, 2011 was approximately \$ 167,000.

We recommend the Tax Collector increase the frequency of turnovers to the Treasurer. This will streamline the Town's cash management and help maximize investment returns.

11-3 IMPROVE PROCEDURES OVER RECEIVABLE ACCOUNTS (MATERIAL WEAKNESS)

During our testing of receivable accounts we noted the following issues:

- Abatements are not posted to the general ledger by the Accountant based on signed forms from the Assessor. Instead they are posted based on packet proof forms which do not break out the type of abatement (real estate, motor vehicle, etc.). Abatements should only be posted to the general ledger based on signed abatements.
- The Assessor's Office issued a negative commitment for an error discovered in valuations. This should have been processed as an abatement, which would have resulted in a negative overlay balance. The Town would then need to raise the deficit on the subsequent year recap.
- The Water Department could not provide the fiscal year 2011 commitments. The commitments are recorded in the general ledger based on the amounts billed per the Collector's control book, not the signed commitments from the Water Department. Signed quarterly commitments should be given to the Collector and Accountant when issued.
- The Collector did not provide the Treasurer or the Accountant with the tax title commitments, instead, the Treasurer had to search the recordings from the registry of deeds to determine the amounts liened. In addition, the related real estate tax receivable balance was not adjusted (reduced) when the tax title commitment was recorded in the general ledger.
- During fiscal year 2011 the Collector turned over excise tax receipts, however, the Accountant was unsure which fiscal year to post the receipts against, so they were posted to an undistributed receipt liability account.

- An entry was made to record the water lien commitment in the general ledger, but the user charge amount was never removed from the receivable account. In addition, the backup for the commitment could not be located, therefore we were unable to determine what the correct entry should have been.
- In fiscal year 2010 the Collector turned over approximately \$ 44,000 in tax title receipts but did not include the taxpayers name, or a breakout of principal and interest. As of the fiscal year 2011 audit fieldwork in July 2012, these receipts still had not been researched and posted to the correct taxpayer accounts.
- The Treasurer does not break out tax title principal and interest amounts until the final payment. All payments are posted to the receivable balance first and an adjustment is made for interest when the final payment is made. Interest should be calculated for every payment and credited first, to ensure the Town receives the full and correct amount of interest before the lien is released at the registry.

We recommend the Town improve controls and procedures over receivable accounts. This will provide additional assurance that accurate information is provided to Town management, will reduce the likelihood that errors or irregularities could occur and go undetected. This will also reduce the effort required to close the books at year end and help improve the Town's free cash balance.

11-4 IMPROVE CONTROLS OVER DISBURSEMENTS (SIGNIFICANT DEFICIENCY)

For the third year in a row, we noted exceptions during our detailed testing of internal controls over 25 vendor disbursements. Specifically we noted the following:

- Five instances where an invoice was not approved for payment by the department.
- Two instances where a warrant was not signed.
- One instance where a warrant could not be located.
- One instance where an original invoice could not be located.

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 and authorization of invoices is supplied prior to disbursement.

11-5 IMPROVE PROCEDURES FOR DOCUMENTING BID COMPLIANCE (COMPLIANCE FINDING)

Massachusetts General Laws Chapter 30B requires that purchases of \$ 5,000 to \$ 25,000 be supported by documentation that quotes were obtained by at least three vendors and that expenditures of \$ 25,000 or more be subject to a formal bidding process.

As noted in the prior year, in testing for compliance with MGL Chapter 30B, we noted two instances where evidence that bid procedures were followed was not provided.

In addition, the Town does not currently require departments to provide evidence of vendor quotes or bids when submitting invoices for payment to the Town Accountant. This complicates the Town Accountant's disbursement review and approval process,

and increases the risk that purchases may be made without following required procurement procedures.

We recommend the Town maintain documentation to support compliance with Chapter 30B in all applicable purchases of goods and services.

We also recommend departments attach documented evidence of vendor quotes/bids to invoices when submitting to the Town Accountant for disbursement processing. This will expedite the approval process and will provide additional assurance that procurement procedures were properly followed.