

**TOWN OF WEST BROOKFIELD,**  
**MASSACHUSETTS**

**REPORT ON THE EXAMINATION  
OF BASIC FINANCIAL STATEMENTS**

**FISCAL YEAR ENDED JUNE 30, 2010**

<b>TOWN OF WEST BROOKFIELD, MASSACHUSETTS</b> <b>TABLE OF CONTENTS</b>
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	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1-2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3-9
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Assets	10
Statement of Activities	11
<b>Fund Financial Statements:</b>	
Balance Sheet - Governmental Funds	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Assets	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues and Expenditures - Budgetary Basis - (Non-GAAP)- Budget and Actual - General Fund	16
Reconciliation of Revenues and Expenditures from Budgetary Basis to GAAP Basis	17
Statement of Fiduciary Net Assets - Fiduciary Funds	18
<b>Notes to the Financial Statements</b>	19-41
<b>SUPPLEMENTARY INFORMATION</b>	
<b>Governmental Funds by Fund Type:</b>	

Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-major Governmental Funds	42-43
---	-------

**Receivable Schedules:**

Schedule of Real Estate, Personal Property and Supplemental Taxes	44
---	----

Schedule of Motor Vehicle Excise Taxes	45
--	----

Schedule of Tax Liens	46
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<b>INDEPENDENT AUDITORS' 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</b>	<b>47-48</b>
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## Independent Auditor's Report

To the Honorable Board of Selectmen  
Town of West Brookfield, Massachusetts

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of West Brookfield, Massachusetts, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of West Brookfield, Massachusetts' management. Our responsibility is to express opinions 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 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 the 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of West Brookfield, Massachusetts, as of June 30, 2010, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2011, on our consideration of the Town of West Brookfield, Massachusetts' internal control over financial reporting and 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 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, appearing on pages 3 through 9, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of West Brookfield, Massachusetts' financial statements as a whole. The Supplementary Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Scanlon & Associates, LLC*  
Scanlon & Associates, LLC  
February 18, 2011

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the Town of West Brookfield, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2010.

### Financial Highlights

- The Town's assets exceeded its liabilities by \$13,481,252 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$12,900,535 or an increase of \$580,717.
- Total net assets are comprised of the following:
  - (1) Capital assets, net of related debt, of \$4,886,742 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  - (2) Net assets of \$1,039,004 are restricted by constraints imposed from outside the Town such as grantors, laws or regulations.
  - (3) Unrestricted net assets of \$7,555,506 represent a portion available to maintain the Town's continuing obligations to citizens and creditors.
- The Town's governmental funds reported total ending fund balance of \$8,124,332 this year. This compares to the prior year ending fund balance of \$7,412,548 showing an increase of \$711,784 during the current year.
- At the end of the current fiscal year, unreserved/undesignated fund balance for the General Fund was \$1,065,857 or 17.65% of total General Fund expenditures including transfers and 17.38% of total General Fund revenues and MTBE litigation settlement proceeds.
- Total liabilities of the Town decreased by \$89,728 to \$678,317 during the fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of West Brookfield's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in

net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public works, water, education, health and human services, culture and recreation, employee benefits and insurance, state assessments and interest. The Town does not have any operations that are classified as business-type activities.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The Town of West Brookfield adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.



**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### Financial Highlights

#### Statement of Net Assets Highlights

	Governmental Activities		
	2010	2009	Change
<b>Assets:</b>			
Current assets	\$ 9,129,827	\$ 8,710,511	\$ 419,316
Capital assets	5,029,742	4,958,069	71,673
<b>Total assets</b>	<b>14,159,569</b>	<b>13,668,580</b>	<b>490,989</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt)	223,829	614,627	(390,798)
Noncurrent liabilities (excluding debt)	311,488	153,418	158,070
Current debt	3,575	-	3,575
Noncurrent debt	139,425	-	139,425
<b>Total liabilities</b>	<b>678,317</b>	<b>768,045</b>	<b>(89,728)</b>
<b>Net Assets:</b>			
Capital assets net of related debt	4,886,742	4,958,069	(71,327)
Restricted	1,039,004	870,343	168,661
Unrestricted	7,555,506	7,072,123	483,383
<b>Total net assets</b>	<b>\$ 13,481,252</b>	<b>\$ 12,900,535</b>	<b>\$ 580,717</b>

## Financial Highlights

### Statement of Activities Highlights

	2010	2009	Increase (Decrease)
<b>Program Revenues:</b>			
Charges for services	\$ 513,078	\$ 495,063	\$ 18,015
Operating grants and contributions	469,830	391,773	78,057
Capital grants and contributions	235,649	179,507	56,142
<b>General Revenues:</b>			
Property taxes	4,252,119	4,133,987	118,132
Motor vehicle excise and other taxes	421,064	391,846	29,218
Penalties and interest on taxes	54,316	62,602	(8,286)
Nonrestricted grants	641,002	620,978	20,024
Unrestricted investment income	251,314	88,797	162,517
Miscellaneous	5,768	2,126	3,642
<b>Total revenues</b>	<b>6,844,140</b>	<b>6,366,679</b>	<b>477,461</b>
<b>Expenses:</b>			
General government	675,324	297,611	377,713
Public safety	686,965	968,376	(281,411)
Public works	528,283	615,021	(86,738)
Water	339,007	342,791	(3,784)
Education	3,108,698	2,946,177	162,521
Health and human services	228,638	214,580	14,058
Culture and recreation	309,778	284,854	24,924
Employee benefits and insurance	627,546	472,715	154,831
State assessments	28,040	25,957	2,083
Interest	2,410	5,473	(3,063)
<b>Total expenses</b>	<b>6,534,689</b>	<b>6,173,555</b>	<b>361,134</b>
<b>Contributions to Permanent Funds</b>	<b>7,289</b>	<b>7,247</b>	<b>42</b>
<b>Special Item -</b>			
<b>MTBE litigation settlement proceeds</b>	<b>263,977</b>	<b>2,597,271</b>	<b>(2,333,294)</b>
<b>Change in net assets</b>	<b>580,717</b>	<b>2,797,642</b>	<b>(2,216,925)</b>
<b>Net assets - beginning of year</b>	<b>12,900,535</b>	<b>10,102,893</b>	<b>2,797,642</b>
<b>Net assets - end of year</b>	<b>\$ 13,481,252</b>	<b>\$ 12,900,535</b>	<b>\$ 580,717</b>

## **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$13,481,252 at the close of FY 2010.

Net assets of \$4,886,742 (36%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net assets \$1,039,004 (8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$7,555,506 (56%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

The governmental activities net assets increased by \$580,717 during the current fiscal year, which reflects the general fund's results of operation. This was mainly attributed to revenues exceeding expenditures by \$309,451, \$7,289 from contributions to permanent funds and \$263,977 from MTBE litigation settlement proceeds.

## **Financial Analysis of the Government's Funds**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$8,124,332. Of this year-end total, \$1,065,857 is the undesignated/unreserved fund balance, indicating availability for continuing Town service requirements and \$1,040,984 are funds designated for fiscal year 2011. Reserved and designated fund balances include \$463,728 committed to liquidate encumbrances and carried forward articles remaining from the prior year; \$276,946 in perpetual permanent funds; \$5,016,996 in special revenue funds; and \$259,821 in permanent funds.

The total ending fund balances of the governmental funds shows an increase of \$711,784 in comparison with the prior year. The increase was due to revenues exceeding expenditures by \$304,807, \$143,000 in proceeds from the issuance of bonds and \$263,977 in proceeds from the MTBE litigation settlement.

### **Major Governmental Funds**

The *General Fund* is the Town's primary operating fund and the largest source of day-to-day operations. At the end of the current fiscal year, unreserved/undesignated fund balance of the general fund was \$1,065,857, while total fund balance reached \$2,234,391. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and revenues and transfers. Unreserved/undesignated fund balance represents 17.65% of total general fund expenditures and transfers and total fund balance represents 37.01% of that same amount. Unreserved/undesignated fund balance represents 17.38% of total general fund revenues and MTBE litigation settlement proceeds and total fund balance represents 36.43% of that same amount.

The fund balance of the general fund increased by \$95,682. Of this amount \$274,330 was attributed to revenues over expenditures, net transfers to the nonmajor governmental funds of \$178,648, transfers to the water stabilization fund of \$263,977 and MTBE litigation settlement proceeds of \$263,977.

The *Stabilization Fund* has accumulated a fund balance of \$1,646,812 that represents 27.27% of total general fund expenditures and transfers and 26.85% of total general fund revenues and MTBE litigation settlement proceeds.

The fund balance of the stabilization fund increased by \$80,778. This increase was attributed to interest income. Please refer to Note 3F for additional information.

The *Water Stabilization Fund* has accumulated a fund balance of \$2,387,779 that represents 39.55% of total general fund expenditures and transfers and 38.93% of total general fund revenues and MTBE litigation settlement proceeds.

The fund balance of the water stabilization fund increased by \$87,951. This increase was attributed to interest income of \$114,274, transfers from the general fund of \$263,977 and transfers to the water fund for \$290,300.

The *Water fund* is a special revenue fund used to account for the accumulation of resources to provide water services to the Town's citizens.

The *Water Fund* has accumulated a fund balance of \$277,979 that represents 4.60% of total general fund expenditures and transfers and 4.53% of total general fund revenues and MTBE litigation settlement proceeds.

The fund balance of the water fund increased by \$242,005. This was attributed to expenditures exceeding revenues of \$191,295, transfers from the water stabilization fund of \$290,300 and proceeds from issuance of bonds of \$143,000.

### **General Fund Budgetary Highlights**

The final general fund budget for fiscal year 2010 was \$6,409,519. This was a decrease of \$255,052 over the previous year's budget.

There was a net increase of \$100,735 between the original budget and the final amended budget. This increase is attributed from the Town amending specific

expenditure line items of the final budget as follows: thermal imaging camera account for \$14,200; turn out gear for \$7,500; road reconstruction account for \$30,000; tax title expense for \$5,000; reserve fund for \$40,000; and highway expense account for \$4,035.

Of the \$836,238 in under budget expenditures \$458,728 has been carried over to fiscal year 2011.

The negative variance in interest on investments of \$25,531 was attributed to a drop in interest rates. A negative variance of \$4,520 exists in state assessments. This was attributed to the expenditures exceeding the assessments in the school choice sending tuition for \$5,000 and an overestimate in the RMV non-renewal surcharge assessment of \$480.

### ***Capital Asset and Debt Administration***

**Capital Assets.** The Town's investment in capital assets as of June 30, 2010 amounts to \$5,029,742.

The investment in capital assets includes land, construction in progress, buildings and renovations, machinery, equipment and other.

The capital events during the current fiscal year in the governmental type funds included the following:

- Foreclosed properties for \$2,374.
- Storm water infrastructure improvements for \$41,110.
- Road improvements for \$72,560.
- Highway garage improvements for \$16,695.
- Long Hill river crossing pipe replacement for \$200,000.
- East Main Street water lines for \$32,256.
- Well No. 2 Leland Road improvements for \$65,178.

**Debt Administration.** The Town's outstanding governmental long-term debt, as of June 30, 2010, totaled \$143,000 for a water pipe replacement.

Please refer to notes 3C and 3E for further discussion of the major capital and debt activity.

### ***Requests for Information***

This financial report is designed to provide a general overview of the Town of West Brookfield's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, Town Hall, 2 East Main Street, West Brookfield, Massachusetts.

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS  
STATEMENT OF NET ASSETS  
JUNE 30, 2010**

	<b>Primary Government</b>
	<b>Governmental</b>
	<b>Activities</b>
<b>ASSETS</b>	
<b>CURRENT:</b>	
Cash and Cash Equivalents	\$ 2,889,570
Investments	5,384,798
Receivables, net of allowance for uncollectibles:	
Property Taxes	213,435
Tax Liens	169,463
Excise Taxes	84,917
User Charges	77,195
Departmental	10,854
Due from Other Governments	299,595
Total current assets	9,129,827
<b>NONCURRENT:</b>	
Capital Assets, net of accumulated Depreciation	
Nondepreciable	598,576
Depreciable	4,431,166
Total noncurrent assets	5,029,742
<b>Total Assets</b>	14,159,569
<b>LIABILITIES</b>	
<b>CURRENT:</b>	
Warrants Payable	102,014
Accrued Payroll	77,484
Payroll Withholdings	3,044
Tax Refund Payable	7,825
Taxes Collected in Advance	9,886
Accrued Interest	2,410
Compensated Absences	21,166
Bonds Payable	3,575
Total current liabilities	227,404
<b>NONCURRENT:</b>	
Compensated Absences	155,221
OPEB Obligation Payable	156,267
Bonds Payable	139,425
Total noncurrent liabilities	450,913
<b>Total Liabilities</b>	678,317
<b>NET ASSETS:</b>	
Invested in Capital Assets, net of related debt	4,886,742
Restricted for:	
Federal & State Grants	350,621
Permanent Funds:	
Expendable	259,821
Nonexpendable	276,946
Other Purposes	151,616
Unrestricted	7,555,506
<b>Total Net Assets</b>	\$ 13,481,252

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010**

	Program Revenues				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
General Government	\$ 675,324	\$ 46,263	\$ 31,810	\$ -	\$ (597,251)
Public Safety	686,965	99,559	6,896	-	(580,510)
Public Works	528,283	7,684	62,179	178,649	(279,771)
Water	339,007	340,444	-	57,000	58,437
Education	3,108,698	-	257,479	-	(2,851,219)
Health and Human Services	228,638	19,128	35,870	-	(173,640)
Culture and Recreation	309,778	-	70,504	-	(239,274)
Employee Benefits and Insurance	627,546	-	5,092	-	(622,454)
State Assessments	28,040	-	-	-	(28,040)
Interest	2,410	-	-	-	(2,410)
<b>Total Governmental Activities</b>	<b>6,534,689</b>	<b>513,078</b>	<b>469,830</b>	<b>235,649</b>	<b>(5,316,132)</b>
<b>Total Primary Government</b>	<b>\$ 6,534,689</b>	<b>\$ 513,078</b>	<b>\$ 469,830</b>	<b>\$ 235,649</b>	<b>(5,316,132)</b>
<b>General Revenues:</b>					
Property Taxes					4,252,119
Motor vehicle excise and other taxes					421,064
Penalties & Interest on Taxes					54,316
Grants & Contributions not restricted to specific programs					641,002
Unrestricted Investment Income					251,314
Miscellaneous					5,768
<b>Contributions to Permanent Funds</b>					7,289
<b>Special item:</b>					
MTBE Litigation Settlement Proceeds					263,977
<b>Total General Revenues, Contributions and Special Items</b>					<b>5,896,849</b>
<b>Change in Net Assets</b>					580,717
<b>Net Assets:</b>					
Beginning of year					12,900,535
End of year					13,481,252

Net (Expenses)  
Revenues and  
Changes  
in Net Assets

Primary Governmental  
Activities

The Notes to the Financial Statements are an integral part of this Statement.



**TOWN OF WEST BROOKFIELD, MASSACHUSETTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2010**

	General Fund	Water			Nonmajor Governmental Funds		Total Governmental Funds
		Stabilization Fund	Stabilization Fund	Water Fund	Governmental Funds	Governmental Funds	
<b>ASSETS</b>							
Cash and Cash Equivalents	1,565,776	-	-	294,668	1,029,126	2,889,570	
Investments	791,492	1,646,812	2,387,779	-	558,715	5,384,798	
Receivables, net of allowance for uncollectibles:							
Property Taxes	213,435	-	-	-	-	213,435	
Tax Liens	169,463	-	-	-	-	169,463	
Excise Taxes	84,917	-	-	-	-	84,917	
User Charges	-	-	-	77,195	-	77,195	
Departmental	-	-	-	-	10,854	10,854	
Due from Other Governments	299,595	-	-	-	-	299,595	
<b>Total Assets</b>	<b>\$ 3,124,678</b>	<b>\$ 1,646,812</b>	<b>\$ 2,387,779</b>	<b>\$ 371,863</b>	<b>\$ 1,598,695</b>	<b>\$ 9,129,827</b>	

**LIABILITIES AND FUND BALANCE:**

<b>Liabilities:</b>						
Warrants Payable	84,238	-	-	10,233	7,543	102,014
Accrued Payroll	68,101	-	-	6,456	2,927	77,484
Payroll Withholdings	3,044	-	-	-	-	3,044
Tax Refund Payable	7,825	-	-	-	-	7,825
Taxes Collected in Advance	9,886	-	-	-	-	9,886
Deferred Revenue:						
Property Taxes	182,135	-	-	-	-	182,135
Other	535,058	-	-	77,195	10,854	623,107
<b>Total Liabilities</b>	<b>890,287</b>	<b>-</b>	<b>-</b>	<b>93,884</b>	<b>21,324</b>	<b>1,005,495</b>

**Fund Balance:**

Reserved For:						
Encumbrances and continuing appropriations	458,728	-	-	5,000	-	463,728
Perpetual Permanent Funds	-	-	-	-	276,946	276,946
Unreserved:						
Designated for Subsequent Years' Expenditures	709,806	40,000	261,341	29,837	-	1,040,984
Undesignated, reported in:						
General Fund	1,065,857	-	-	-	-	1,065,857
Special Revenue	-	1,606,812	2,126,438	243,142	1,040,604	5,016,996
Permanent Funds	-	-	-	-	259,821	259,821
<b>Total Fund Balance</b>	<b>2,234,391</b>	<b>1,646,812</b>	<b>2,387,779</b>	<b>277,979</b>	<b>1,577,371</b>	<b>8,124,332</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 3,124,678</b>	<b>\$ 1,646,812</b>	<b>\$ 2,387,779</b>	<b>\$ 371,863</b>	<b>\$ 1,598,695</b>	<b>\$ 9,129,827</b>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010**

	General Fund	Stabilization Funds	Water Stabilization Fund	Water Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Property Taxes	\$ 4,258,467	\$ -	\$ -	\$ -	\$ -	4,258,467
State Receipts	953,897	-	-	-	-	953,897
Excise and Other Taxes	415,891	-	-	-	-	415,891
Licenses, Permits, Fees & User Charges	135,571	-	341,893	-	-	477,464
Interest on Taxes	54,316	-	-	-	-	54,316
Investment Income	29,469	80,778	114,274	-	60,587	285,108
Intergovernmental - "On-behalf" Payments	21,947	-	-	-	-	21,947
Grants, Fees and Bequests	-	-	57,000	-	226,353	283,353
<b>Total Revenues</b>	<b>5,869,558</b>	<b>80,778</b>	<b>114,274</b>	<b>398,893</b>	<b>286,940</b>	<b>6,750,443</b>
<b>Expenditures:</b>						
Current:						
General Government	580,850	-	-	-	20,226	601,076
Public Safety	555,869	-	-	-	67,797	623,666
Public Works	455,808	-	-	-	128,870	584,678
Water	-	-	590,188	-	-	590,188
Education	3,087,363	-	-	-	-	3,087,363
Health and Human Services	169,497	-	-	-	24,373	193,870
Culture and Recreation	246,522	-	-	-	18,954	265,476
Employee Benefits and Insurance	471,279	-	-	-	-	471,279
State Assessments	28,040	-	-	-	-	28,040
<b>Total Expenditures</b>	<b>5,595,228</b>	<b>-</b>	<b>-</b>	<b>590,188</b>	<b>260,220</b>	<b>6,445,636</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>274,330</b>	<b>80,778</b>	<b>114,274</b>	<b>(191,295)</b>	<b>26,720</b>	<b>304,807</b>
<b>Other Financing Sources (Uses):</b>						
Operating Transfers In	-	-	263,977	290,300	178,648	732,925
Operating Transfers Out	(442,625)	-	(290,300)	-	-	(732,925)
Proceeds from Issuance of Bonds	-	-	-	143,000	-	143,000
MTBE Litigation Settlement Proceeds	263,977	-	-	-	-	263,977
<b>Total Other Financing Sources (Uses)</b>	<b>(178,648)</b>	<b>-</b>	<b>(26,323)</b>	<b>433,300</b>	<b>178,648</b>	<b>406,977</b>
<b>Net Change in Fund Balances</b>	<b>95,682</b>	<b>80,778</b>	<b>87,951</b>	<b>242,005</b>	<b>205,368</b>	<b>711,784</b>
<b>Fund Balances, Beginning of Year</b>	<b>2,138,709</b>	<b>1,566,034</b>	<b>2,299,828</b>	<b>35,974</b>	<b>1,372,003</b>	<b>7,412,548</b>
<b>Fund Balances, End of Year</b>	<b>\$ 2,234,391</b>	<b>\$ 1,646,812</b>	<b>\$ 2,387,779</b>	<b>\$ 277,979</b>	<b>\$ 1,577,371</b>	<b>\$ 8,124,332</b>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**Total Fund Balances to the Statement of Net Assets**  
**For the Year Ended June 30, 2010**

<b>Total Governmental Fund Balances</b>	<b>\$</b>	<b>8,124,332</b>
Capital Assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.		5,029,742
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.		805,242
Long Term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:		
Bonds Payable	\$ (143,000)	
Other Post Employment Benefits Payable	(156,267)	
Compensated Absences	<u>(176,387)</u>	(475,654)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds interest is not reported until due.		<u>(2,410)</u>
<b>Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>13,481,252</u></b>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2010**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	711,784
<p>Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and are reported as depreciation expense:</p>		
Capital Outlay Purchases	\$ 430,173	
Depreciation	<u>(358,500)</u>	71,673
<p>Revenue in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.</p>		
		100,986
<p>The Issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets:</p>		
Proceeds from Bonds		(143,000)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:</p>		
Net Change in Compensated Absences	(2,049)	
Net Change in Other Post Employment Benefits	(156,267)	
Net Change in Accrued Interest on Long-Term Debt	<u>(2,410)</u>	<u>(160,726)</u>
<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>580,717</u></b>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS  
STATEMENT OF REVENUES AND EXPENDITURES -  
BUDGETARY BASIS - (NON-GAAP) -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual	Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Budgetary Basis		
<b>Revenues:</b>					
Property Taxes	\$ 4,311,389	\$ 4,181,704	\$ 4,299,392	\$ -	\$ 117,688
State Receipts	691,857	691,857	953,897	-	262,040
Excise and Other Taxes	327,891	327,891	415,891	-	88,000
Licenses, Permits, Fees	98,800	98,800	135,571	-	36,771
Interest on Taxes	20,000	20,000	54,316	-	34,316
Investment Income	55,000	55,000	29,469	-	(25,531)
<b>Total Revenues</b>	<b>5,504,937</b>	<b>5,375,252</b>	<b>5,888,536</b>	<b>-</b>	<b>513,284</b>
<b>Expenditures:</b>					
Current:					
General Government	952,843	997,843	580,850	297,523	119,470
Public Safety	598,595	620,295	555,869	31,926	32,500
Public Works	534,949	568,984	455,808	96,217	16,959
Education	3,194,116	3,194,116	3,065,416	-	128,700
Health and Human Services	200,996	200,996	169,497	16,000	15,499
Culture and Recreation	271,612	271,612	246,522	17,062	8,028
Employee Benefits and Insurance	532,153	532,153	471,279	-	60,874
State Assessments	23,520	23,520	28,040	-	(4,520)
<b>Total Expenditures</b>	<b>6,308,784</b>	<b>6,409,519</b>	<b>5,573,281</b>	<b>458,728</b>	<b>377,510</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(803,847)</b>	<b>(1,034,267)</b>	<b>315,255</b>	<b>(458,728)</b>	<b>890,794</b>
<b>Other Financing Sources (Uses):</b>					
Operating Transfers In (Out)	-	(442,625)	(442,625)	-	-
MTBE Litigation Settlement Proceeds	-	263,977	263,977	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(178,648)</b>	<b>(178,648)</b>	<b>-</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>(803,847)</b>	<b>(1,212,915)</b>	<b>136,607</b>	<b>(458,728)</b>	<b>890,794</b>
<b>Budgetary Fund Balance - Beginning of Year</b>	<b>2,074,309</b>	<b>2,074,309</b>	<b>2,074,309</b>	<b>-</b>	<b>-</b>
<b>Budgetary Fund Balance - End of Year</b>	<b>\$ 1,270,462</b>	<b>\$ 861,394</b>	<b>\$ 2,210,916</b>	<b>\$ (458,728)</b>	<b>\$ 890,794</b>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS**  
**Reconciliation of Revenues and Expenditures**  
**from Budgetary Basis to GAAP Basis**  
**For the Year Ended June 30, 2010**

	<u>Revenues</u>	<u>Expenditures</u>
<b>Reported on a Budgetary Basis</b>	\$ 5,888,536	\$ 5,573,281
Net Decrease in Revenue from recording Refund Taxes Payable	(2,225)	-
Recognition of intergovernmental Revenue - "on behalf payments"	21,947	-
Recognition of Expenditures - "on behalf payments"	-	21,947
Net Decrease in Revenue from Recording 60-Day Receipts	(38,700)	-
<b>Reported on a GAAP Basis</b>	<u>\$ 5,869,558</u>	<u>\$ 5,595,228</u>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS  
 FIDUCIARY FUNDS  
 STATEMENT OF FIDUCIARY NET ASSETS  
 JUNE 30, 2010**

	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 6,028
<b>Total Assets</b>	<b>6,028</b>
<b>LIABILITIES</b>	
Warrants Payable	70
Due to Others	4,458
Escrows and Deposits	1,500
<b>Total Liabilities</b>	<b>6,028</b>
<b>NET ASSETS:</b>	
Held in Trust for Other Purposes	\$ -

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Town of West Brookfield, Massachusetts (the Town) was incorporated in 1848 under the laws of the Commonwealth of Massachusetts. The Town is governed by an elected three member Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. In fiscal year 2010, it was determined that no entities met the required GASB-14 criteria for component units.

The Town is responsible for electing the governing boards of the West Brookfield Housing Authority and the Quaboag Regional School District. The West Brookfield Rescue Squad, Inc. is a non-profit organization that provides ambulance services to the Town. These related organizations are excluded from the financial reporting entity because the Town's accountability does not extend beyond the Town electing the board or servicing the Town. Audited financial statements are available from the respective organizations. A description of the related organizations are as follows:

**West Brookfield Housing Authority** - A public housing agency that provides housing assistance to eligible and qualified low and moderate income families, the elderly and the handicapped. The housing authority is an autonomous and self-sufficient agency under the State Executive Office of Communities and Development. The Town has no significant influence over management, budget or policies of the authority.

**Quaboag Regional District School** - A regional school district made up of two communities to serve and provide a learning experience. The regional school district is a separate entity under the Commonwealth of Massachusetts. The Town elects six district committee members for its representation. The District is responsible for both the operating and capital costs related to the school and operates independently from the Town.

**West Brookfield Rescue Squad, Inc.** - A non-profit corporation that provides ambulance services to the Town. The corporation is a separate entity. The corporation is responsible for both the operating and capital costs related to the ambulance and operates independently from the Town.

The accompanying basic financial statements of the Town of West Brookfield, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental



**TOWN OF WEST BROOKFIELD, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Town accounting policies are described herein.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (e.g., statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and displayed in a single column.

***Major Fund Criteria***

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues or expenditures/expenses of an individual governmental fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental funds),

*and*

- If the total assets, liabilities, revenues or expenditures/expenses of the individual governmental funds are at least 5 percent of the corresponding element for all governmental funds combined.

Additionally, any other governmental fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Fiduciary funds are reported by fund type.

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 thereafter to be used to pay current liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. 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.

Property taxes, excises and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

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 *stabilization fund* is a special revenue fund used to account for the accumulation of resources to provide general and/or capital reserves, and planning and development's ongoing and future operations.

The *water stabilization fund* is a special revenue fund used to account for the accumulation of resources to provide water capital reserves, and planning and development's ongoing and future operations.

The *water fund* is a special revenue fund used to account for the accumulation of resources to provide water services to the Town's citizens.

Additionally, the government reports the following fund types:

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

*Fiduciary fund* financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the government programs.

The *agency fund* is used to account for assets held in a purely custodial capacity.

The non-major governmental fund consists of other special revenue and permanent funds that are aggregated and presented in the *non-major governmental funds* column on the governmental funds financial statements. The following describes the general use of these funds types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

#### **D. Cash and Cash Equivalents**

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash.

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption, "cash and cash equivalents".

Excluding the permanent funds, investment income derived from major and non-major governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Laws (MGL).

#### **E. Investments**

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U. S. Government or agencies that have a maturity of less than one year from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase. All investments are carried at fair value.

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

**F. Receivables**

The recognition of revenues related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

***Property Taxes and Tax Liens***

Property taxes are based on assessments as of January 1, 2009 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The Town has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the Town sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The Town mailed preliminary tax bills for the fiscal year 2010 on June 30, 2009, that were due on August 3, 2009 and November 2, 2009 and actual bills on December 31, 2009 that were due on February 1, 2010 and May 3, 2010.

Real estate tax liens are processed six months after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a Town. The legal levy limit under Proposition 2 1/2 for fiscal year 2010 is \$4,288,508 consisting of a base of \$4,024,909 and a debt exclusion of \$263,599. The total amount raised by taxation was \$4,280,488.

The allowance for uncollectible accounts is estimated based on historical trends and specific account analysis.

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

***Excise Taxes***

Excise taxes consist of motor vehicle excise. Excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair value of those vehicles.

The tax calculation for motor vehicle excise is the fair value of the vehicle multiplied by the \$25 per \$1,000 of value.

The allowance for uncollectibles is estimated and based on historical trends and specific account analysis.

***User Charges***

User charges consist of water that is levied quarterly based on individual meter readings and usage and are subject to penalties and interest if they are not paid by the respective due date. Liens are processed each year and are included as a lien on the property owner's tax bill. Liens are recorded as receivables in the fiscal year of the levy.

The allowance for uncollectibles is estimated and based on historical trends and specific account analysis.

***Departmental***

Departmental receivables consist of housing rehabilitation loans and septic repair loans that were given by the Town to individuals and businesses. Upon issuance, a receivable is recorded for the principal amount of the loan.

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectible accounts.

***Due from Other Governments***

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

**G. Capital Assets**

Capital assets, which include land, construction in progress, buildings and renovations, machinery, equipment and other, and infrastructure assets (e.g. roads, water mains, sewer

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

mains, and similar items), are reported in the applicable governmental or business-type activity column of the government wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value.

All purchase and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of fixed assets are as follows:

<b>Capital Asset Type</b>	<b>Years</b>
Buildings and renovations	10-30
Machinery, equipment and other	3-15
Infrastructure	20-30

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

#### **H. Interfund Transfers**

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

In the government-wide financial statements, operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of activities.

In the fund financial statements, operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

#### **I. Deferred Revenue**

Deferred revenue at the fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

#### **J. Net Assets and Fund Equity**

Net assets are reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use.

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

Net assets have been “restricted for” the following:

“Federal and state grants” represents amounts restricted by the federal and state government for various programs.

“Permanent funds – expendable” represents amounts held in trust for which the expenditures are restricted by various trust agreements.

“Permanent funds – nonexpendable” represents amounts held in trust for which only investment earnings may be expended.

“Other purposes” represents restrictions placed on assets from outside parties.

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balances represent tentative management plans that are subject to change. Fund balances have been “reserved for” or “designated for” the following:

“Encumbrances and continuing appropriations” represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

“Perpetual Permanent fund” represents amounts held in trust for which only investment earnings may be expended.

“Designated for subsequent years’ expenditures” represents the amount of fund balance appropriated to be used for expenditures in the subsequent year’s budget. The Town includes the following in the reserve:

<b>General Fund:</b>		
Undesignated fund balance:		
Free cash	\$ 505,361	
Overlay surplus	50,000	
Reserved for payment of debt	154,445	\$ 709,806
<b>Stabilization Fund</b>		40,000
<b>Water Stabilization Fund</b>		261,341
<b>Water Fund</b>		29,837
		\$1,040,984

**K. Long-term Debt**

Long-term debt is reported as liabilities in the government-wide statement of net assets.

The face amount of governmental funds long-term debt is reported as other financing sources.

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

**L. Compensated Absences**

The Town grants to employees sick and vacation leave in varying amounts based upon length of service and in accordance with various individual union contracts up to a maximum of 120 days. Upon retirement, termination, or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rates of pay.

**M. Post Retirement Benefits**

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's 65% or 75% share of insurance premiums in the general fund in the fiscal year paid. For the fiscal year ending June 30, 2010, the expense/expenditure totaled approximately \$41,672. There were approximately 9 participants eligible to received benefits at June 30, 2010.

**N. Use of Estimates**

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures/ expenses during the fiscal year. Actual results could vary from estimates that were used.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

An annual budget is adopted for the Town's General Fund. Although legislative approval is required for the acceptance of grants, capital projects, and borrowing authorizations, annual budgets are not prepared for any other fund; therefore, comparison of budget to actual is only presented for the General Fund.

The Town must establish its property tax rate each year so that the property tax rate levy will comply with the limits established by Proposition 2 1/2, as amended, and also equal the sum of (a) the aggregate of all annual appropriations for expenditures, plus (b) provision for prior year deficits, if any, less (c) the aggregate of all non property tax revenues estimated to be received, including available funds.

The Town follows these procedures in establishing the General Fund budgetary data as reflected in the financial statements:

Department heads prepare their budgets.

Department heads who are elected submit their budgets to the advisory board.



**TOWN OF WEST BROOKFIELD, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

Non-elected department heads submit their budgets to the Board of Selectmen who then passes it on to the advisory board.

Budgets are to be submitted by January 1<sup>st</sup>.

The advisory board and Board of Selectmen reviews the budgets and meets with the department heads.

The advisory board submits the budget to Town meeting.

The budget is legally enacted by vote at the annual Town meeting.

Supplemental appropriations may be made from available funds after the setting of the tax rate with Town meeting approval.

Throughout the year appropriations may be transferred between departments with Town meeting approval.

Massachusetts law requires cities and towns to provide for a balanced budget. Section 23 of Chapter 59 of the Massachusetts General Laws states, in part,

"The assessors shall annually assess taxes to an amount not less than the aggregate of all amounts appropriated, granted or lawfully expended by their respective towns (cities) since the preceding annual assessment and not provided for therein . . . "

For fiscal year 2010, the Town incurred a final budget deficit of \$1,212,915 for the General Fund.

The Town voted from the following sources to fund the deficit budget during the fiscal year:

Unreserved Fund Balance:		
Free cash	\$	612,858
Overlay surplus		45,000
Prior year's encumbrances		555,057
	<u>\$</u>	<u>1,212,915</u>

### 3. DETAILED NOTES

#### A. Cash and Investments

##### Custodial Credit Risks - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The government does not have a deposit policy for custodial credit

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

risk. Deposits at June 30, 2010 were \$2,893,080. Of these, \$441,151 was exposed to custodial credit risk as uninsured and uncollateralized.

**Investment Policies**

Investments of funds, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposits of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less.

As of June 30, 2010, the Town had the following investments and maturities:

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
<b>Debt Securities:</b>					
U. S. treasury obligations	\$ 30,002	\$ -	\$ 30,002	\$ -	\$ -
U. S. government agencies	1,383,386	-	257,126	589,494	536,766
Corporate debt	217,145	-	217,145	-	-
Money market mutual fund	1,395,094	1,395,094	-	-	-
	<u>3,025,627</u>	<u>1,395,094</u>	<u>504,273</u>	<u>589,494</u>	<u>536,766</u>
<b>Other Investments:</b>					
Equity securities	312,100				
Certificates of deposit	1,274,008				
Mutual funds	12,837				
MMDT	760,226				
	<u>\$ 5,384,798</u>				

**Custodial Credit Risks**

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town's \$5,384,798 in investments, \$725,488 are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department in the Town's name, \$217,145 are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the Town's name.

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

The Town has a policy on custodial credit risk. The policy, in part, states that the Town will conduct a pre-qualification of potential investment firm's policy including the review of financial statements and the background of the sales. The intent of this qualification is to limit the Town's exposure to only those institutions with a proven financial strength, capital adequacy of the firm and the overall affirmative reputation in the municipal industry. To further limit custodial credit risk, all securities not held directly by the Town, will be held in the Town's name and tax identification number by a third-party custodian approved by the Treasurer and evidenced by safekeeping receipts.

**Interest Rate Risk**

The Town has an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The policy states that general fund cash that is not needed for current use in CD's, the MMDT and U. S. Government Treasuries and Agencies may not exceed a one year term. Trust funds may be invested in any legal investments taking into consideration future cash needs. The preferred investments are FDIC insured certificates of deposits and U.S. Agency bonds. When possible maturities should be "laddered" to ensure a frequency availability of funds.

**Credit Risk**

The Town's exposure to credit risk as of June 30, 2010 is as follows:

Related Debt Instruments	Moody's Quality Ratings			
	Fair Value	Aaa	A2/A	Not Rated
Debt Securities:				
U. S. treasury obligations	\$ 30,002	\$ 30,002	\$ -	\$ -
U. S. government agencies	1,383,386	1,383,386	-	-
Corporate bonds	217,145	-	217,145	-
Money market mutual fund	1,395,094	-	-	1,395,094
	<u>\$ 3,025,627</u>	<u>\$ 1,413,388</u>	<u>\$ 217,145</u>	<u>\$ 1,395,094</u>

**Concentration of Credit Risk**

The Town places no limit on the amount the Town may invest in one issuer. More than 5 percent of the Town's investments are Federal Home Loan Mortgage Corporation and Government National Mortgage Association amounting to 12.54% and 13.15%, respectively, of the Town's total investments.

The Town's investment policy states that the Town will minimize the risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Investment in foreign currency is not permitted.

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

**B. Receivables**

At June 30, 2010, receivables for the individual major governmental funds and non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<b>Gross Amount</b>	<b>Allowance for Uncollectibles</b>	<b>Net Amount</b>
<b>Major and nonmajor governmental funds:</b>			
Property taxes	\$ 236,071	\$ (22,636)	\$ 213,435
Tax liens	169,463	-	169,463
Excise taxes	118,917	(34,000)	84,917
User charges	77,695	(500)	77,195
Departmental	10,854	-	10,854
Due from other governments	299,595	-	299,595
	<u>\$ 912,595</u>	<u>\$ (57,136)</u>	<u>\$ 855,459</u>

The composition of amounts due from other governments as of June 30, 2010 for governmental funds is as follows:

<b>Governmental Funds:</b>	
<b>General Fund:</b>	
<i>Commonwealth of Massachusetts:</i>	
Department of Revenue:	
Veterans, blind & surviving spouses	\$ 18,350
Department of Veterans Services:	
Veterans benefits	567
Massachusetts Highway Department:	
Chapter 90 funded projects	<u>280,678</u>
	<u>\$ 299,595</u>

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 all of June 30, 2010 receivable balances, except real estate and personal property taxes that are accrued for subsequent 60 day collections. At the end of the current fiscal year, the deferred revenue for property taxes is \$182,135.

The various components of the other deferred revenue reported in the governmental funds were as follows:

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

<b>General Fund:</b>			
Tax liens	\$	169,463	
Excise taxes		84,917	
Due from other governments		280,678	\$ 535,058
<b>Water Fund:</b>			
User charges			77,195
<b>Nonmajor Governmental Funds:</b>			
Departmental			10,854
			\$ 623,107

**C. Capital Assets**

**Governmental Activities**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 498,768	\$ 2,374	\$ -	\$ 501,142
Construction in Progress	252,885	114,129	(269,580)	97,434
Total capital assets not being depreciated	751,653	116,503	(269,580)	598,576
Capital assets being depreciated:				
Buildings and Renovations	4,317,012	29,660	-	4,346,672
Machinery, equipment and other	2,132,759	-	-	2,132,759
Infrastructure	1,788,379	553,590	-	2,341,969
Total capital assets being depreciated	8,238,150	583,250	-	8,821,400
Less accumulated depreciation for:				
Buildings and Renovations	1,529,386	168,403	-	1,697,789
Machinery, equipment and other	1,558,175	120,681	-	1,678,856
Infrastructure	944,173	69,416	-	1,013,589
Total accumulated depreciation	4,031,734	358,500	-	4,390,234
Total capital assets being depreciated, net	4,206,416	224,750	-	4,431,166
Total governmental activities capital assets, net	\$ 4,958,069	\$ 341,253	\$ (269,580)	\$ 5,029,742

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities:</b>	
General government	\$ 68,361
Public safety	63,392
Public works	88,538
Education	21,335
Water	32,937
Health and Human Services	40,903
Culture and recreation	43,034
Total depreciation expense - governmental activities	\$ 358,500

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

**D. Interfund Receivables, Payables and Transfers**

Interfund transfers for the fiscal year ended June 30, 2010, are summarized as follows:

Transfers Out:	Transfers In:			
	Water stabilization fund	Water fund	Nonmajor governmental funds	Total
General fund	\$ 263,977	\$ -	\$ 178,648	\$ 442,625
Water stabilization fund	-	290,300	-	290,300
Total transfers out	\$ 263,977	\$ 290,300	\$ 178,648	\$ 732,925

**E. Long Term Debt**

**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 the governmental activities.

General obligation bonds currently outstanding of the governmental type fund are as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2010
<b>Outside Debt Limit:</b>					
Water pipe replacement	3.38%	12/22/09	12/10/49	\$ 143,000	\$ 143,000

**Future Debt Service**

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2010, are as follows:

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

<b>Governmental</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 3,575	\$ 4,826	\$ 8,401
2012	3,575	4,706	8,281
2013	3,575	4,585	8,160
2014	3,575	4,464	8,039
2015	3,575	4,344	7,919
2016-2020	17,875	19,908	37,783
2021-2025	17,875	16,892	34,767
2026-2030	17,875	13,875	31,750
2031-2035	17,875	10,859	28,734
2036-2040	17,875	7,843	25,718
2041-2045	17,875	4,826	22,701
2045-2050	17,875	1,810	19,685
	<u>\$ 143,000</u>	<u>\$ 98,938</u>	<u>\$ 241,938</u>

A summary of the changes in governmental activities long term debt during the year is as follows:

	<b>Balance</b>			<b>Balance</b>	<b>Amounts Due</b>
	<b>June 30, 2009</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2010</b>	<b>within One</b>
					<b>Year</b>
<b>Governmental activities:</b>					
<b>Bond Payable:</b>					
General obligation bonds	\$ -	\$ 143,000	\$ -	\$ 143,000	\$ 3,575
OPEB obligation payable	-	156,267	-	156,267	-
<b>Compensated absences</b>	<b>174,338</b>	<b>16,711</b>	<b>14,662</b>	<b>176,387</b>	<b>21,166</b>
Governmental activity					
Long-term liabilities	<u>\$ 174,338</u>	<u>\$ 315,978</u>	<u>\$ 14,662</u>	<u>\$ 475,654</u>	<u>\$ 24,741</u>

**Legal Debt Limit**

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town does not have any inside debt at June 30, 2010.

In addition, the Town is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

The following is a computation of the legal debt limit as of June 30, 2010

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

Equalized Valuation-Real Estate and Personal Property (2008)		\$	440,259,900	
Debt Limit: 5 % of Equalized value		\$	22,012,995	
Total Debt Outstanding	\$	143,000		
Less: Debt Outside Debt Limit		(143,000)		-
<hr/>				
Inside Debt Excess Borrowing Capacity at June 30, 2010		\$	22,012,995	

**Loans Authorized and Unissued - Memorandum Only**

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt. The Town does not have loan authorizations at June 30, 2010.

**Overlapping Debt**

The Town pays assessments which includes debt service payments to other local governmental units providing services within the Town's boundaries (commonly referred to as overlapping debt). The primary overlapping debt relates to the regional school district of which the Town is a member. The following summary sets forth the long term debt of the governmental unit, the estimated share of such debt being serviced by the Town and the total of its share of estimated indirect debt.

	<u>Long Term Debt</u>	<u>Town's Estimated Share</u>	<u>Town's Estimated Indirect Debt</u>
<b>Quaboag Regional School District:</b>			
West Brookfield Elementary School	\$ 760,000	100.00%	\$ 760,000

**F. Special Trust Funds**

**Stabilization Funds**

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the Town may for the purpose of creating a stabilization fund appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the Town and any interest shall be added to and become a part of the fund. The stabilization fund may be appropriated in a Town at a Town meeting for any lawful purpose.

At June 30, 2010, \$1,646,812 and \$2,387,779 have been set aside in the stabilization fund and water stabilization fund, respectively, which have been classified as major funds in the governmental funds financial statements.



**TOWN OF WEST BROOKFIELD, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

**4. OTHER INFORMATION**

**A. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties.

Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**B. Town Meeting – Fiscal Year 2011**

The Town of West Brookfield operates under the "Open Meeting" concept where each voter has an equal vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2010 do not reflect the fiscal year 2011 Town Meeting action, with the exception of Unreserved Fund Balance-Designated for Subsequent Years' Expenditures as disclosed below. The Annual Town Meeting on May 11, 2010 authorized a fiscal year 2011 operating and capital budget as follows:

From the Tax Levy			\$ 5,531,338
(Designated for Subsequent Years' Expenditures)			
<b>Major Funds:</b>			
<b>General Fund:</b>			
Unreserved Fund Balance:			
(Free cash)	\$ 505,361		
(Overlay surplus)	<u>50,000</u>	555,361	
<b>Stabilization Fund</b>		40,000	
<b>Water Stabilization Fund</b>		261,341	
<b>Water Fund</b>		29,837	
			<u><u>\$ 6,417,877</u></u>

**C. Contingent Liabilities**

**Litigation**

Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the liability, if any, at June 30, 2010, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2010.

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

**D. Other Post Employment Benefits Payable**

**GASB Statement No. 45**

The cost of post employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The Town adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2010, and thus recognizes the cost of post employment benefits in the year when the employee services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the Town's future cash flows.

**Plan Description**

The Town provides health insurance coverage for eligible retirees and their survivors in accordance with MGL Chapter 32, on a pay-as-you-go basis which covers both active and retired members.

**Funding Policy**

The contribution requirements of plan members and the Town are established and may be amended through Town policy and member contracts. The required contribution is based on the projected pay-as-you-go financing requirements. The Town contributes 65 or 75 percent of the cost of current year premiums for eligible retired plan members and their survivors. For the 2010 fiscal year, the Town contributed \$41,672 to the plan.

**Annual OPEB Cost and Net OPEB Obligation**

The Town's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"). The Town has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the Town's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Town's net OPEB obligation to the plan:

Normal Cost	\$ 120,102
Amortization of unfunded actuarial accrued liability	77,837
Annual required contribution	<u>197,939</u>
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>197,939</u>
Contributions made during the fiscal year	41,672
Increase in net OPEB obligation	<u>156,267</u>
Net OPEB Obligation - beginning of year	-
Net OPEB Obligation - end of year	<u><u>\$ 156,267</u></u>

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2010 fiscal year and the two preceding years were as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
06/30/08	N/A	N/A	N/A
06/30/09	N/A	N/A	N/A
06/30/10	\$ 197,939	21.05%	\$ 156,267

**Funded Status and Funding Process**

As of June 30, 2010, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$1,958,609, and the actuarial value of assets was 0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,958,609. The covered payroll (annual payroll of active employees covered by the plan) was \$751,784, and the ratio of the UAAL to the covered payroll was 260.53%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

*Retirement age for active employees* - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 60, or at the first subsequent year in which the member would qualify for benefits.

*Marital status* - Marital status of members at the calculation date was assumed to continue throughout retirement.

*Mortality* - Life expectancies were based on mortality tables from the Life Expectancy Table from National Center for Health Statistics updated in 2008.

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

*Turnover* – The basis for assigning active members a probability of remaining employed until the assumed retirement age and entry age by age comes from the Table 1 in GASB 45.

*Healthcare cost trend rate* – The expected rate of increase in healthcare insurance premiums is as follows:

<u>Year</u>	
1	3%
2	4%
3	5%
4	6%
5	7%
6	8%
7-10	5%
11-21	5%
21 on	5%

*Health insurance premiums* – 2010 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

*Inflation rate* - The inflation assumption is 3 percent.

*Payroll growth rate* – The expected average salary increase is 3 percent.

The Town initial OPEB actuarial valuation as of June 30, 2010, used a simplified version of the entry age actuarial cost method with a discount rate of 3 percent. The OPEB liability is currently unfunded.

**Schedule of Funding Progress  
for the Retiree Health Plan**

Actuarial Valuation Date	Actuarial Vale of Assets (A)	Actuarial Accrued Liability (AAL) Entry Aid (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
06/30/08	N/A	N/A	N/A	N/A	N/A	N/A
06/30/09	N/A	N/A	N/A	N/A	N/A	N/A
06/30/10	\$0	\$ 1,958,609	\$ 1,958,609	0%	\$ 751,784	260.53%

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

**E. Pension Plan**

**Plan Description**

The Town, as a member of the Worcester Regional Retirement System (the System), participates in a cost-sharing multiple-employer defined benefit pension plan administered by the Worcester Regional Retirement Board. Each participating employers' share of the total annual contribution is determined on the basis of active payroll. Substantially, all employees are members of the System, except for public school teachers and administrators who are members of Commonwealth of Massachusetts Teachers' Retirement System to which the Town does not contribute. Pension benefits and administrative expenses are paid by the Teachers' Retirement Board and are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$21,947 for the fiscal year ending June 30, 2010, and, accordingly, are reported in the General Fund as intergovernmental revenues and employee benefit expenditures.

The Town has approximately 31 employees in the retirement system.

The System provides retirement, disability, and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns authority to establish and amend benefit provisions of the plan. Cost of living adjustments granted between 1981 and 1987 and any increases in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Worcester Regional Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 2 Main Street Street, Worcester, Massachusetts.

**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 system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. Chapter 32B of the Massachusetts general laws governs the contributions of plan members and the Town.

The Town's contribution to the System for the fiscal years ended June 30, 2010, 2009 and 2008 is shown below, which equaled its required contribution for each fiscal year.

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

Year Ended June 30	Town's Contribution
2010	\$ 132,341
2009	121,097
2008	110,829

The last actuarial valuation was prepared by Buck Consultants, LLC as of January 1, 2007. The actuarial cost method of the plan has been determined in accordance with the individual entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8.5% compounded annually, (b) projected salary, including longevity, increases of 4.8% per year per member.

The total unfunded actuarial liability applicable to the entire System's employees at January 1, 2007 is as follows:

Actuarial Accrued Liability	\$ 692,768,325
Assets	389,758,785
Unfunded Actuarial Liability	<u>\$ 303,009,540</u>

The Town's portion of such liability is approximately .49% or \$1,484,747.

Chapter 697 of the Acts of 1987, which was enacted on January 12, 1988, provides for the funding of the Commonwealth's current unfunded pension liability over a period not greater than forty years. In addition, Chapter 697 contained significant financial incentives for local governmental units to establish its own state-approved funding schedule to eliminate its unfunded actuarial liability by June 30, 2028. The Town has accepted the provisions of Chapter 32, Section 22 (6A) (b), at the Special Town Meeting on June 20, 1990 to become a funding unit.

**Reporting Policies**

The funds of the Worcester Regional Retirement System are accounted for under the accrual basis. Under the accrual basis of accounting, all revenues and expenditures are accrued and investments are amortized to value. The books are maintained on a calendar year basis from January 1st to December 31st in accordance with the standards and procedures outlined by the Commissioner of the Public Employees Retirement Administration.

Investments are reported in accordance with PERAC requirements.

## **SUPPLEMENTARY SCHEDULES**

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010**

	Fund Balances July 1, 2009	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2010
<b>Special Revenue:</b>					
<b>Federal and State Grants:</b>					
Arts Lottery Council Grants	2,670	4,000	1,125	(3,012)	2,533
Council on Aging Grants	3,605	10,271	10,973	1,412	4,315
Emergency Preparedness Coalition Grant	2,000	-	-	-	2,000
Extended Polling Hours	1,856	4,044	1,692	-	4,208
Highway Grants	168,879	-	66,849	178,648	280,678
Library Grants	21,025	5,688	3,518	1,600	24,795
Public Safety Grants	24,565	5,975	14,547	-	15,993
Smart Growth Grant	4,558	-	-	-	4,558
Storm Water Grant	-	44,579	41,233	-	3,346
Vaccine Grant	-	10,248	2,053	-	8,195
<b>Other:</b>					
Cable Access Grant	6,406	5,000	3,833	-	7,573
Cemetery Revolving	5,236	5,514	7,670	-	3,080
Conservation Improvement Fund	7,758	-	-	-	7,758
Curb Cut Escrow	50,610	3,780	3,000	-	51,390
Gifts	28,651	51,657	31,642	-	48,666
Housing and Septic Repair Loan Repayments	220,032	9,756	-	-	229,788
Insurance Proceeds	256	-	-	-	256
Planning Board Revolving	1,600	-	-	-	1,600
Police Off Duty Detail Revolving	9,941	53,595	53,250	-	10,286
Road Machinery Fund	8,279	1,730	-	-	10,009
Storm Water Revolving	145	-	-	-	145
Conservation Commission Fund	5,980	210	-	-	6,190
Self Insurance Trust	24,707	869	-	-	25,576
Fire Truck Stabilization Fund	278,634	9,797	-	-	288,431
Unrealized Gain/Loss	(9,266)	8,501	-	-	(765)
<b>Total Special Revenue</b>	<b>868,127</b>	<b>235,214</b>	<b>241,385</b>	<b>178,648</b>	<b>1,040,604</b>
<b>Perpetual Permanent Funds:</b>					
Cemetery Perpetual Care Funds	162,241	6,050	-	-	168,291
Library Funds	8,286	-	-	-	8,286
Quaboag Park/Town Common Funds :					
John G. Shackley Fund	48,405	-	-	-	48,405
Helen Paige Shackley Bandstand	12,495	-	-	-	12,495
Helen B. Hawks/Stickney Fund	10,892	-	-	-	10,892
Margaret Preisach Magnante Fund	26,358	1,239	-	-	27,597
Other Trust Funds:					
Col. Fairfax Ayers Monument Fund	980	-	-	-	980
<b>Total Perpetual Permanent Funds</b>	<b>\$ 269,657</b>	<b>\$ 7,289</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 276,946</b>



**TOWN OF WEST BROOKFIELD, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Fund Balances July 1, 2009	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2010
<b>Permanent Funds:</b>					
Cemetery Perpetual Care Funds	\$ 77,932	\$ 10,211	\$ -	\$ -	\$ 88,143
Library Funds	22,417	11,566	4,133	-	29,850
Quaboag Park/Town Common Funds :					
John G. Shackley Fund	3,933	1,789	3,314	-	2,408
Helen Paige Shackley Bandstand	3,764	571	-	-	4,335
Helen B. Hawks/Stickney Fund	961	416	387	-	990
Margaret Preisach Magnante Fund	2,008	638	200	-	2,446
Priscilla E. Side Fund	8,401	295	-	-	8,696
Common Committee Fund	7,790	230	2,959	-	5,061
Other Trust Funds:					
Col. Fairfax Ayers Monument Fund	2,713	130	-	-	2,843
Historical Commission Fund	68,652	9,331	7,842	-	70,141
Lucy Stone Birthplace Fund	785	28	-	-	813
Recreation Committee Fund	6,590	232	-	-	6,822
Reynis Town Hall Interior Fund	37,445	504	-	-	37,949
Unrealized Gain/Loss	(9,172)	8,496	-	-	(676)
<b>Total Permanent Funds</b>	<u>234,219</u>	<u>44,437</u>	<u>18,835</u>	<u>-</u>	<u>259,821</u>
<b>Total Non-Major Governmental Funds</b>	<u>\$ 1,363,717</u>	<u>\$ 286,940</u>	<u>\$ 260,220</u>	<u>\$ 178,648</u>	<u>\$ 1,569,085</u>

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS**  
**SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY AND SUPPLEMENTAL TAXES**  
**JULY 1, 2009 TO JUNE 30, 2010**

	Uncollected Taxes July 1, 2009	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2010	Uncollected Taxes Per Detail June 30, 2010
<b>Real Estate Taxes:</b>						
Levy of 2010	\$ -	\$ 4,210,524	\$ 43,139	\$ 4,041,679	\$ 125,706	\$ 125,706
Levy of 2009	183,028	-	11,225	117,875	53,928	53,928
Levy of 2008	64,134	-	25,752	29,984	8,398	8,398
Levy of 2007	40,877	-	5,188	15,828	19,861	18,861
Levy of 2006	12,617	-	8,669	4,381	(433)	(433)
Prior Years	4,477	-	5,200	(1,666)	943	773
	<b>305,133</b>	<b>4,210,524</b>	<b>99,173</b>	<b>4,208,081</b>	<b>208,403</b>	<b>207,233</b>
<b>Personal Property Taxes:</b>						
Levy of 2010	-	70,062	73	67,005	2,984	2,984
Levy of 2009	2,929	-	18	345	2,566	2,566
Levy of 2008	375	-	-	-	375	375
Levy of 2007	249	-	(17)	(72)	338	338
Levy of 2006	300	-	-	-	300	300
Prior Years	21,044	-	-	(86)	21,130	21,130
	<b>24,897</b>	<b>70,062</b>	<b>74</b>	<b>67,192</b>	<b>27,693</b>	<b>27,693</b>
<b>Supplemental Taxes</b>						
Levy of 2006	1,448	-	1,448	-	-	-
Levy of 2005	662	-	-	687	(25)	(25)
	<b>2,110</b>	<b>-</b>	<b>1,448</b>	<b>687</b>	<b>(25)</b>	<b>(25)</b>
<b>Total Real Estate, Personal Property and Supplemental Taxes</b>	<b>\$ 332,140</b>	<b>\$ 4,280,586</b>	<b>\$ 100,695</b>	<b>\$ 4,275,960</b>	<b>\$ 236,071</b>	<b>\$ 234,901</b>

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS  
 SCHEDULE OF MOTOR VEHICLE EXCISE TAXES  
 JULY 1, 2009 TO JUNE 30, 2010**

	Uncollected Taxes July 1, 2009	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2010	Uncollected Taxes Per Detail June 30, 2010
<b>Motor Vehicle Excise Taxes:</b>						
Levy of 2010	\$ -	\$ 329,830	\$ 5,206	\$ 278,483	\$ 46,141	\$ 46,141
Levy of 2009	49,501	47,479	5,755	72,937	18,288	18,290
Levy of 2008	17,000	242	603	2,942	13,697	13,692
Levy of 2007	9,867	-	78	578	9,211	9,211
Levy of 2006	5,610	-	-	795	4,815	4,822
Prior Years	27,066	-	-	301	26,765	26,765
<b>Total Motor Vehicle Excise Taxes</b>	<b>\$ 109,044</b>	<b>\$ 377,551</b>	<b>\$ 11,642</b>	<b>\$ 356,036</b>	<b>\$ 118,917</b>	<b>\$ 118,921</b>

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS  
SCHEDULE OF TAX LIENS  
JULY 1, 2009 TO JUNE 30, 2010**

Uncollected Accounts July 1, 2009	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2010	Uncollected Accounts Per Detail June 30, 2010
\$ 121,408	\$ 74,000	\$ 2,534	\$ 23,411	\$ 169,463	\$ 169,797
<b>Tax Liens</b>					

**INDEPENDENT AUDITOR'S 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 Honorable Board of Selectmen  
Town of West Brookfield, Massachusetts

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining information of the Town of West Brookfield, Massachusetts, as of and for the fiscal year ended June 30, 2010, which collectively comprise the Town of West Brookfield, Massachusetts' basic financial statements and have issued our report thereon dated February 18, 2011. 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 of West Brookfield, Massachusetts' 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 of West Brookfield, Massachusetts' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of West Brookfield, Massachusetts' internal control over financial reporting.

*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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of West Brookfield, Massachusetts' 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 matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Town of West Brookfield, Massachusetts in a separate letter dated February 18, 2011.

This report is intended solely for the information and use of management, the Board of Selectmen, others within the entity, and 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.

  
Scanlon & Associates, LLC  
February 18, 2011