

TOWN OF WEST BROOKFIELD,
MASSACHUSETTS

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

FISCAL YEAR ENDED JUNE 30, 2011

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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, 2011, 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, 2011, 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.

As discussed in Note 1B to the financial statements, the Town adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 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
October 7, 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, 2011.

Financial Highlights

- The net assets of the Town's governmental activities totaled \$2,931,220 and decreased by \$550,032 (4%) from the prior year.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$5,408,528 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 \$1,139,743 are restricted by constraints imposed from outside the Town such as grantors, laws or regulations.
 - (3) Unrestricted net assets of \$6,382,949 represent a portion available to maintain the Town's continuing obligations to citizens and creditors.
- At the close of the current fiscal year, the Town's governmental funds reported total ending fund balance of \$7,221,933, a decrease of \$902,399 (11%)
- The General Fund's total fund balance decreased \$737,856 to \$5,819,191. The ending General fund balance is 104% of revenues and other sources and 92% of expenditures and other uses.
- The Town's long term liabilities increased by \$141,373 (31%) during the fiscal year ending June 30, 2011. This was primarily due from the OPEB expense for the 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 | | |
|---|-------------------------|----------------------|---------------------|
| | 2011 | 2010 | Change |
| Assets: | | | |
| Current assets | \$ 8,107,394 | \$ 9,129,827 | \$ (1,022,433) |
| Capital assets | 5,547,953 | 5,029,742 | 518,211 |
| Total assets | 13,655,347 | 14,159,569 | (504,222) |
| Liabilities: | | | |
| Current liabilities (excluding debt) | 128,267 | 223,829 | (95,562) |
| Noncurrent liabilities (excluding debt) | 456,435 | 311,488 | 144,947 |
| Current debt | 3,575 | 3,575 | - |
| Noncurrent debt | 135,850 | 139,425 | (3,575) |
| Total liabilities | 724,127 | 678,317 | 45,810 |
| Net Assets: | | | |
| Capital assets net of related debt | 5,408,528 | 4,886,742 | 521,786 |
| Restricted | 1,139,743 | 1,039,004 | 100,739 |
| Unrestricted | 6,382,949 | 7,555,506 | (1,172,557) |
| Total net assets | \$ 12,931,220 | \$ 13,481,252 | \$ (550,032) |

Financial Highlights

Statement of Activities Highlights

| | 2011 | 2010 | Increase (Decrease) |
|---|----------------------|----------------------|------------------------|
| Program Revenues: | | | |
| Charges for services | \$ 603,756 | \$ 513,078 | \$ 90,678 |
| Operating grants and contributions | 406,068 | 469,830 | (63,762) |
| Capital grants and contributions | 184,115 | 235,649 | (51,534) |
| General Revenues: | | | |
| Property taxes | 3,958,539 | 4,252,119 | (293,580) |
| Motor vehicle excise and other taxes | 417,919 | 421,064 | (3,145) |
| Penalties and interest on taxes | 28,978 | 54,316 | (25,338) |
| Nonrestricted grants | 488,009 | 641,002 | (152,993) |
| Unrestricted investment income | 126,848 | 251,314 | (124,466) |
| Miscellaneous | 671 | 5,768 | (5,097) |
| Total revenues | 6,214,903 | 6,844,140 | (629,237) |
| Expenses: | | | |
| General government | 751,321 | 675,324 | 75,997 |
| Public safety | 826,631 | 686,965 | 139,666 |
| Public works | 557,416 | 528,283 | 29,133 |
| Water | 380,850 | 339,007 | 41,843 |
| Education | 3,040,437 | 3,108,698 | (68,261) |
| Health and human services | 243,096 | 228,638 | 14,458 |
| Culture and recreation | 322,271 | 309,778 | 12,493 |
| Employee benefits and insurance | 618,298 | 627,546 | (9,248) |
| State assessments | 20,910 | 28,040 | (7,130) |
| Interest | 4,769 | 2,410 | 2,359 |
| Total expenses | 6,765,999 | 6,534,689 | 231,310 |
| Contributions to Permanent Funds | 1,064 | 7,289 | (6,225) |
| Special Item - | | | |
| MTBE litigation settlement proceeds | - | 263,977 | (263,977) |
| Change in net assets | (550,032) | 580,717 | (1,130,749) |
| Net assets - beginning of year | 13,481,252 | 12,900,535 | 580,717 |
| Net assets - end of year | \$ 12,931,220 | \$ 13,481,252 | \$ (550,032) |

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 \$12,931,220 at the close of FY 2011.

Net assets of \$5,408,528 (42%) 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 \$1,139,743 (9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$6,382,949 (49%) 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 decreased by \$550,032 during the current fiscal year, which reflects the general fund's results of operation. This was mainly attributed to expenditures exceeding revenues by \$551,096 and \$1,064 from contributions to permanent funds.

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 \$7,221,933 a decrease of \$902,399 (11%) in comparison with the prior year.

Breakdown of the governmental funds are as follows:

- Nonspendable fund balance - \$278,010.
- Restricted fund balance- \$839,710.
- Committed fund balance - \$138,548

- Assigned fund balance - \$1,129,142
- Unassigned fund balance - \$4,836,523.

At the end of the fiscal year, the General Fund reported a fund balance of \$5,819,191 decreasing \$737,856 (11%) from the prior year. Of the \$5,819,191, the unassigned amount is \$4,636,523 and the assigned amount is \$982,668. General fund revenues were \$289,054 (5%) less than the prior fiscal year and expenditures increased by \$283,530 (5%). Net transfers to other funds were \$260,954 more than the prior year (146%).

Increases in governmental fund expenditures were as follows:

- General government expenditures increased \$85,231 (14%)
- Public safety expenditures increased \$241,756 (39%)
- Public works expenditures increased \$311,554 (53%)
- Water expenditures increased \$71,983 (12%)
- Health and human services expenditures increased \$15,151 (8%)
- Culture and recreation increased \$24,878 (9%)
- Principal on debt service increased by \$3,575
- Interest on debt service increased \$4,826

Decreases in governmental fund expenditures were as follows:

- Education expenditures decreased \$46,954 (2%)
- Employee benefits and insurance expenditures decreased \$11,899 (3%).
- State assessments decreased \$7,130 (25%)

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2011 was \$6,533,470. This was an increase of \$123,951 (2%) over the previous year's budget.

There was an increase of \$257,000 between the original budget and the final amended budget. The increase is attributed to the Town amending specific expenditure line items of the final budget as follows:

- Town building maintenance for \$50,000
- Town road maintenance for \$25,000
- Fleet account for \$100,000
- Tax title expense for \$15,000
- Repairs to private ways for \$25,000
- Acquire parcels for drainage for \$2,000
- Reserve fund for \$40,000

Of the \$677,377 in under budget expenditures \$389,376 has been carried over to fiscal year 2012.

There are negative variances in property taxes and interest on taxes of \$17,880 and \$1,022, respectively attributed to less in collections.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets as of June 30, 2011 amounts to \$5,547,953.

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 \$6,192.
- Police vehicles for \$69,572.
- Road infrastructure improvements for \$327,360.
- Fire fleet refurbishing for \$40,000.
- Backhoe/Loader for \$131,020.
- HVAC improvements for \$22,042.
- Water meters for \$91,735.
- East Main Street water lines for \$71,340.
- Well No. 2 Leland Road improvements for \$147,584

Debt Administration. The Town's outstanding governmental long-term debt, as of June 30, 2011, totaled \$139,425 for a water pipe replacement.

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

Next Year's Annual Town Meeting

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 Annual Town Meeting on May 3, 2011 authorized a fiscal year 2012 operating and capital budget as follows:

| | | |
|-----------------------------|---------|---------------------|
| From the Tax Levy | | \$ 5,698,395 |
| From other Available Funds: | | |
| Free Cash | 259,443 | |
| School appropriation | 46,243 | |
| Overlay surplus | 30,000 | |
| Road machinery | 6,000 | |
| Water stabilization | 53,000 | |
| Stabilization | 250,849 | 645,535 |
| | | <u>\$ 6,343,930</u> |

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, 2011**

| | Primary Government |
|---|---------------------------|
| | Governmental |
| | Activities |
| ASSETS | |
| CURRENT: | |
| Cash and Cash Equivalents | \$ 2,822,223 |
| Investments | 4,466,833 |
| Receivables, net of allowance for uncollectibles: | |
| Property Taxes | 248,457 |
| Tax Liens | 211,298 |
| Excise Taxes | 88,901 |
| User Charges | 69,458 |
| Departmental | 22,023 |
| Due from Other Governments | 178,201 |
| Total current assets | 8,107,394 |
| NONCURRENT: | |
| Capital Assets, net of accumulated Depreciation | |
| Nondepreciable | 720,096 |
| Depreciable | 4,827,857 |
| Total noncurrent assets | 5,547,953 |
| Total Assets | 13,655,347 |
| LIABILITIES | |
| CURRENT: | |
| Warrants Payable | 55,399 |
| Accrued Payroll | 27,684 |
| Payroll Withholdings | 6,769 |
| Tax Refund Payable | 16,800 |
| Accrued Interest | 2,353 |
| Compensated Absences | 19,262 |
| Bonds Payable | 3,575 |
| Total current liabilities | 131,842 |
| NONCURRENT: | |
| Compensated Absences | 141,250 |
| OPEB Obligation Payable | 315,185 |
| Bonds Payable | 135,850 |
| Total noncurrent liabilities | 592,285 |
| Total Liabilities | 724,127 |
| NET ASSETS: | |
| Invested in Capital Assets, net of related debt | 5,408,528 |
| Restricted for: | |
| Federal & State Grants | 198,125 |
| Permanent Funds: | |
| Expendable | 268,991 |
| Nonexpendable | 278,010 |
| Other Purposes | 394,617 |
| Unrestricted | 6,382,949 |
| Total Net Assets | \$ 12,931,220 |

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, 2011**

| | Program Revenues | | | | |
|--|-------------------------|--|--|--|---|
| | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Net (Expenses) Revenues and Changes in Net Assets | <u>Primary Government</u> Governmental Activities |
| Primary Government: | | | | | |
| Governmental Activities: | | | | | |
| General Government | \$ 751,321 | \$ 60,934 | \$ 24,360 | \$ (666,027) | (666,027) |
| Public Safety | 826,631 | 152,122 | 5,915 | (668,594) | (668,594) |
| Public Works | 557,416 | 7,905 | 10,564 | (354,832) | (354,832) |
| Water | 380,850 | 364,709 | - | (16,141) | (16,141) |
| Education | 3,040,437 | - | 227,244 | (2,813,193) | (2,813,193) |
| Health and Human Services | 243,096 | 18,086 | 32,583 | (192,427) | (192,427) |
| Culture and Recreation | 322,271 | - | 102,075 | (220,196) | (220,196) |
| Employee Benefits and Insurance | 618,298 | - | 3,327 | (614,971) | (614,971) |
| State Assessments | 20,910 | - | - | (20,910) | (20,910) |
| Interest | 4,769 | - | - | (4,769) | (4,769) |
| Total Governmental Activities | 6,765,999 | 603,756 | 406,068 | (5,572,060) | (5,572,060) |
| Total Primary Government | \$ 6,765,999 | \$ 603,756 | \$ 406,068 | (5,572,060) | (5,572,060) |
| General Revenues: | | | | | |
| Property Taxes | | | | 3,958,539 | 3,958,539 |
| Motor vehicle excise and other taxes | | | | 417,919 | 417,919 |
| Penalties & Interest on Taxes | | | | 28,978 | 28,978 |
| Grants & Contributions not restricted to specific programs | | | | 488,009 | 488,009 |
| Unrestricted Investment Income | | | | 126,848 | 126,848 |
| Miscellaneous | | | | 671 | 671 |
| Contributions to Permanent Funds | | | | 1,064 | 1,064 |
| Total General Revenues and Contributions | | | | 5,022,028 | 5,022,028 |
| Change in Net Assets | | | | (550,032) | (550,032) |
| Net Assets: | | | | | |
| Beginning of year | | | | 13,481,252 | 13,481,252 |
| End of year | | | | \$ 12,931,220 | \$ 12,931,220 |

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

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011**

| | General Fund | Water Fund | Nonmajor | | Total |
|---|---------------------|-------------------|---------------------|--------------------|------------------|
| | | | Governmental Funds | Governmental Funds | |
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 1,564,061 | \$ 262,496 | \$ 995,666 | \$ | 2,822,223 |
| Investments | 4,299,536 | - | 167,297 | | 4,466,833 |
| Receivables, net of allowance for uncollectibles: | | | | | |
| Property Taxes | 248,457 | - | - | | 248,457 |
| Tax Liens | 211,298 | - | - | | 211,298 |
| Excise Taxes | 88,901 | - | - | | 88,901 |
| User Charges | - | 69,458 | - | | 69,458 |
| Departmental | - | - | 22,023 | | 22,023 |
| Due from Other Governments | 178,201 | - | - | | 178,201 |
| Total Assets | \$ 6,590,454 | \$ 331,954 | \$ 1,184,986 | \$ | 8,107,394 |

| | | | | | |
|--------------------------------------|----------------|---------------|---------------|----|----------------|
| LIABILITIES AND FUND BALANCE: | | | | | |
| Liabilities: | | | | | |
| Warrants Payable | \$ 34,780 | \$ 19,204 | \$ 1,415 | \$ | 55,399 |
| Accrued Payroll | 25,586 | 2,098 | - | | 27,684 |
| Payroll Withholdings | 6,769 | - | - | | 6,769 |
| Tax Refund Payable | 16,800 | - | - | | 16,800 |
| Deferred Revenue: | | | | | |
| Property Taxes | 210,057 | - | - | | 210,057 |
| Other | 477,271 | 69,458 | 22,023 | | 568,752 |
| Total Liabilities | 771,263 | 90,760 | 23,438 | | 885,461 |

| | | | | | |
|---|---------------------|-------------------|---------------------|-----------|------------------|
| Fund Balance: | | | | | |
| Nonspendable | - | - | 278,010 | | 278,010 |
| Restricted | - | - | 839,710 | | 839,710 |
| Committed | - | 138,548 | - | | 138,548 |
| Assigned | 982,668 | 102,646 | 43,828 | | 1,129,142 |
| Unassigned | 4,836,523 | - | - | | 4,836,523 |
| Total Fund Balance | 5,819,191 | 241,194 | 1,161,548 | | 7,221,933 |
| Total Liabilities and Fund Balance | \$ 6,590,454 | \$ 331,954 | \$ 1,184,986 | \$ | 8,107,394 |

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, 2011

| | General Fund | Water Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------|-----------------------------------|--------------------------------|
| Revenues: | | | | |
| Property Taxes | \$ 3,882,590 | \$ - | \$ - | \$ 3,882,590 |
| Intergovernmental | 978,729 | - | 29,847 | 1,008,576 |
| Excise and Other Taxes | 413,935 | - | - | 413,935 |
| Licenses, Permits, Fees | 126,758 | - | - | 126,758 |
| Charges for Services | - | 372,446 | 119,340 | 491,786 |
| Interest on Taxes | 28,978 | - | - | 28,978 |
| Investment Income | 126,849 | - | 28,101 | 154,950 |
| Gifts and Donations | - | - | 78,523 | 78,523 |
| Other | - | - | 27,447 | 27,447 |
| Intergovernmental - "On-behalf" Payments | 22,665 | - | - | 22,665 |
| Total Revenues | 5,580,504 | 372,446 | 283,258 | 6,236,208 |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | 640,153 | - | 46,154 | 686,307 |
| Public Safety | 753,027 | - | 112,395 | 865,422 |
| Public Works | 558,883 | - | 337,349 | 896,232 |
| Water | - | 662,171 | - | 662,171 |
| Education | 3,040,409 | - | - | 3,040,409 |
| Health and Human Services | 173,683 | - | 35,338 | 209,021 |
| Culture and Recreation | 232,313 | - | 58,041 | 290,354 |
| Employee Benefits and Insurance | 459,380 | - | - | 459,380 |
| State Assessments | 20,910 | - | - | 20,910 |
| Debt Service: | | | | |
| Principal | - | 3,575 | - | 3,575 |
| Interest | - | 4,826 | - | 4,826 |
| Total Expenditures | 5,878,758 | 670,572 | 589,277 | 7,138,607 |
| Excess of Revenues Over (Under) Expenditures | (298,254) | (298,126) | (306,019) | (902,399) |
| Other Financing Sources (Uses): | | | | |
| Operating Transfers In | 5,854 | 261,341 | 184,115 | 451,310 |
| Operating Transfers Out | (445,456) | - | (5,854) | (451,310) |
| Total Other Financing Sources (Uses) | (439,602) | 261,341 | 178,261 | - |
| Net Change in Fund Balances | (737,856) | (36,785) | (127,758) | (902,399) |
| Fund Balances, Beginning of Year, as restated | 6,557,047 | 277,979 | 1,289,306 | 8,124,332 |
| Fund Balances, End of Year | \$ 5,819,191 | \$ 241,194 | \$ 1,161,548 | \$ 7,221,933 |

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, 2011

| | | | |
|---|----|-----------|-------------------|
| Total Governmental Fund Balances | | \$ | 7,221,933 |
| Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds. | | | 5,547,953 |
| Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis. | | | 778,809 |
| Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds: | | | |
| Bonds Payable | \$ | (139,425) | |
| Other Post Employment Benefits Payable | | (315,185) | |
| Compensated Absences | | (160,512) | (615,122) |
| | | | |
| In the statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds, interest is not reported until due. | | | (2,353) |
| Net Assets of Governmental Activities | | \$ | 12,931,220 |

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, 2011

Net Change in Fund Balances - Total Governmental Funds \$ (902,399)

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:

| | | |
|--------------------------|------------------|---------|
| Capital Outlay Purchases | \$ 906,845 | |
| Depreciation | <u>(388,634)</u> | 518,211 |

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. (26,433)

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:
 Repayment of Debt and Principal 3,575

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:

| | | |
|--|-----------|------------------|
| Net Change in Compensated Absences | 15,875 | |
| Net Change in Other Post Employment Benefits | (158,918) | |
| Net Change in Accrued Interest on Long-Term Debt | <u>57</u> | <u>(142,986)</u> |

Change in Net Assets of Governmental Activities \$ (550,032)

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, 2011**

| | Budgeted Amounts | | Actual | Amounts Carried Forward to Next Year | Variance with Final Budget Positive (Negative) |
|---|---------------------|--------------------|---------------------|---|---|
| | Original Budget | Final Budget | Budgetary Basis | | |
| Revenues: | | | | | |
| Property Taxes | \$ 3,902,345 | \$ 3,902,345 | \$ 3,884,465 | \$ - | \$ (17,880) |
| State Receipts | 676,190 | 676,190 | 978,729 | - | 302,539 |
| Excise and Other Taxes | 352,000 | 352,000 | 413,935 | - | 61,935 |
| Licenses, Permits, Fees | 92,400 | 92,400 | 126,758 | - | 34,358 |
| Interest on Taxes | 30,000 | 30,000 | 28,978 | - | (1,022) |
| Investment Income | 15,000 | 15,000 | 18,003 | - | 3,003 |
| Total Revenues | 5,067,935 | 5,067,935 | 5,450,868 | - | 382,933 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General Government | 823,228 | 897,208 | 640,153 | 185,300 | 71,755 |
| Public Safety | 786,876 | 786,876 | 753,027 | 19,527 | 14,322 |
| Public Works | 488,363 | 717,626 | 558,883 | 155,893 | 2,850 |
| Education | 3,175,706 | 3,129,463 | 3,017,744 | - | 111,719 |
| Health and Human Services | 208,141 | 208,141 | 173,683 | 16,613 | 17,845 |
| Culture and Recreation | 253,351 | 253,351 | 232,313 | 12,043 | 8,995 |
| Employee Benefits and Insurance | 515,875 | 515,875 | 459,380 | - | 56,495 |
| State Assessments | 24,930 | 24,930 | 20,910 | - | 4,020 |
| Total Expenditures | 6,276,470 | 6,533,470 | 5,856,093 | 389,376 | 288,001 |
| Excess of Revenues Over (Under) Expenditures | (1,208,535) | (1,465,535) | (405,225) | (389,376) | 670,934 |
| Other Financing Sources (Uses): | | | | | |
| Operating Transfers In (Out) | 40,000 | (144,115) | (138,261) | - | 5,854 |
| Total Other Financing Sources (Uses) | 40,000 | (144,115) | (138,261) | - | 5,854 |
| Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses | (1,168,535) | (1,609,650) | (543,486) | (389,376) | 676,788 |
| Budgetary Fund Balance - Beginning of Year | 2,210,916 | 2,210,916 | 2,210,916 | - | - |
| Budgetary Fund Balance - End of Year | \$ 1,042,381 | \$ 601,266 | \$ 1,667,430 | \$ (389,376) | \$ 676,788 |

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, 2011

| | <u>Revenues</u> | <u>Expenditures</u> |
|--|---------------------|---------------------|
| Reported on a Budgetary Basis | \$ 5,450,868 | \$ 5,856,093 |
| <i>Adjustments:</i> | | |
| Activity for Stabilization Fund Recorded in the General Fund for GAAP Purposes | 108,846 | - |
| Net Decrease in Revenue from recording Refund Taxes Payable | (8,975) | - |
| Recognition of Intergovernmental Revenue - "on behalf payments" | 22,665 | - |
| Recognition of Expenditures - "on behalf payments" | - | 22,665 |
| Net Increase in Revenue from Recording 60-Day Receipts | 7,100 | - |
| Reported on a GAAP Basis | <u>\$ 5,580,504</u> | <u>\$ 5,878,758</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, 2011**

| | Agency Funds |
|----------------------------------|-------------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 5,046 |
| Total Assets | 5,046 |
| LIABILITIES | |
| Warrants Payable | 113 |
| Due to Others | 3,433 |
| Escrows and Deposits | 1,500 |
| Total Liabilities | 5,046 |
| NET ASSETS: | |
| 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, 2011

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 2011, it was determined that no entities met the required GASB-39 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 assistance to eligible and qualified low and moderate-income families, the elderly and 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 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.

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

B. Implementation of New Accounting Principle

In fiscal year 2011, the Town adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the Town is bound to honor constraints on specific purposes for which amounts in the funds may be spent. Application of the Statement requires the Town to classify and report amounts in the appropriate fund balance classifications. The Town's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned or unassigned.

C. Government-Wide and Fund Financial Statements

Government-wide 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*.

Fund financial statements

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),

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

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.

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

Government-wide financial statements

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.

Fund financial statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon 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 Town reports the following major governmental funds:

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

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 *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 Town reports the following fund types:

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.

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

E. 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).

F. 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, 2011

G. 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, 2010 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 2011 on June 30, 2010, that were due on August 2, 2010 and November 1, 2010 and actual bills on December 22, 2010 that were due on February 1, 2011 and May 2, 2011.

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 2011 is \$4,037,536 consisting of a base of \$4,162,549 and a debt exclusion of \$(125,013). The total amount raised by taxation was \$4,002,901.

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, 2011

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.

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

H. 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 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:

| <u>Capital Asset Type</u> | <u>Years</u> |
|--------------------------------|--------------|
| 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.

I. 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.

J. 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.

K. 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, 2011

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.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of those resources.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority, which is the Town meeting action and can be modified or rescinded only through these actions. Committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit.

Assigned fund balance. This classification reflects the amounts constrained by the Town's "intent" to be used for specific purposes, but are neither restricted nor committed. Department heads and Town board/committees have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

When the restricted and other fund balance resources are available for use, it is the Town's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts respectively.

L. 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.

M. 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.

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.

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

Department heads who are elected submit their budgets to the advisory board. 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 1st.

The advisory board and Board of Selectmen review the budgets and meet 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 2011, the Town incurred a final budget deficit of \$1,609,650 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 | \$ 946,477 |
| Overlay surplus | 50,000 |
| Prior year's encumbrances | 458,728 |
| Subsequent year's expenditures | 154,445 |
| | \$ 1,609,650 |

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 risk. Deposits at

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

June 30, 2011 were \$2,905,831. Of this none were 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 deposit 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, 2011, the Town had the following investments and maturities:

| Investment Type | Fair Value | Investment Maturities (in Years) | | | |
|----------------------------|---------------------|----------------------------------|----------------|----------------|----------------|
| | | Less Than 1 | 1 to 5 | 6 to 10 | More Than 10 |
| Debt Securities: | | | | | |
| U. S. treasury obligations | \$ 69,546 | \$ - | \$ 69,546 | \$ - | \$ - |
| U. S. government agencies | 743,043 | - | 305,382 | 140,533 | 297,128 |
| Corporate debt | 480,574 | - | 268,846 | 211,728 | - |
| Money market mutual fund | 470,511 | 470,511 | - | - | - |
| | <u>1,763,674</u> | <u>470,511</u> | <u>643,774</u> | <u>352,261</u> | <u>297,128</u> |
| Other Investments: | | | | | |
| Equity securities | 349,490 | | | | |
| Certificates of deposit | 1,918,923 | | | | |
| Mutual funds | 60,785 | | | | |
| MMDT | 373,961 | | | | |
| | <u>\$ 4,466,833</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 \$4,466,833 in investments, \$11,312 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. 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

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
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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, 2011 is as follows:

| Related Debt Instruments | Moody's Quality Ratings | | | |
|----------------------------|-------------------------|-------------------|-------------------|-------------------|
| | Fair Value | Aaa | A2/A | Not Rated |
| Debt Securities: | | | | |
| U. S. treasury obligations | \$ 69,546 | \$ 69,546 | \$ - | \$ - |
| U. S. government agencies | 743,043 | 743,043 | - | - |
| Corporate bonds | 480,574 | - | 480,574 | - |
| Money market mutual fund | 470,511 | - | - | 470,511 |
| | <u>\$ 1,763,674</u> | <u>\$ 812,589</u> | <u>\$ 480,574</u> | <u>\$ 470,511</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 Federal Home Loan Bank amounting to 6.53% and 5.50%, 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.

B. Receivables

At June 30, 2011, 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:

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NOTES TO THE FINANCIAL STATEMENTS
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| | Gross Amount | Allowance for Uncollectibles | Net Amount |
|---|-----------------|------------------------------------|---------------|
| Major and nonmajor governmental funds: | | | |
| Property taxes | \$ 266,666 | \$ (18,209) | \$ 248,457 |
| Tax liens | 211,298 | - | 211,298 |
| Excise taxes | 125,401 | (36,500) | 88,901 |
| User charges | 69,958 | (500) | 69,458 |
| Departmental | 22,023 | - | 22,023 |
| Due from other governments | 178,201 | - | 178,201 |
| | \$ 873,547 | \$ (55,209) | \$ 818,338 |

The composition of amounts due from other governments as of June 30, 2011 for governmental funds is as follows:

Governmental Funds:

General Fund:

Commonwealth of Massachusetts:

Department of Veterans Services:

Veterans benefits \$ 8,299

Massachusetts Highway Department:

Chapter 90 funded projects 169,902

\$ 178,201

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, 2011 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 \$210,057.

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

General Fund:

| | | |
|----------------------------|------------|------------|
| Tax liens | \$ 211,298 | |
| Excise taxes | 88,901 | |
| Due from other governments | 177,072 | \$ 477,271 |

Water Fund:

User charges 69,458

Nonmajor Governmental Funds:

| | | |
|--------------|------------|--|
| Departmental | 22,023 | |
| | \$ 568,752 | |

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

C. Capital Assets

Governmental Activities

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|------------|--------------|-------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 501,142 | \$ 6,192 | \$ - | \$ 507,334 |
| Construction in Progress | 97,434 | 218,924 | (103,596) | 212,762 |
| Total capital assets not being depreciated | 598,576 | 225,116 | (103,596) | 720,096 |
| Capital assets being depreciated: | | | | |
| Buildings and Renovations | 4,346,672 | 22,042 | - | 4,368,714 |
| Machinery, equipment and other | 2,132,759 | 240,592 | (56,800) | 2,316,551 |
| Infrastructure | 2,341,969 | 522,691 | - | 2,864,660 |
| Total capital assets being depreciated | 8,821,400 | 785,325 | (56,800) | 9,549,925 |
| Less accumulated depreciation for: | | | | |
| Buildings and Renovations | 1,697,789 | 168,068 | - | 1,865,857 |
| Machinery, equipment and other | 1,678,856 | 128,038 | (56,800) | 1,750,094 |
| Infrastructure | 1,013,589 | 92,528 | - | 1,106,117 |
| Total accumulated depreciation | 4,390,234 | 388,634 | (56,800) | 4,722,068 |
| Total capital assets being depreciated, net | 4,431,166 | 396,691 | - | 4,827,857 |
| Total governmental activities capital assets, net | \$ 5,029,742 | \$ 621,807 | \$ (103,596) | \$ 5,547,953 |

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

Governmental Activities:

| | |
|--|-------------------|
| General government | \$ 64,436 |
| Public safety | 64,551 |
| Public works | 115,831 |
| Education | 22,070 |
| Water | 49,123 |
| Health and Human Services | 31,721 |
| Culture and recreation | 40,902 |
| Total depreciation expense - governmental activities | <u>\$ 388,634</u> |

D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2011, are summarized as follows:

| Transfers Out: | Transfers In: | | | |
|-----------------------------|-----------------|---------------|-----------------------------------|------------|
| | General Fund | Water fund | Nonmajor governmental funds | Total |
| General fund | \$ - | \$ 261,341 | \$ 184,115 | \$ 445,456 |
| Nonmajor governmental funds | 5,854 | - | - | 5,854 |
| Total transfers out | \$ 5,854 | \$ 261,341 | \$ 184,115 | \$ 451,310 |

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
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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, 2011 |
|----------------------------|------------------|----------------|---------------------------|------------------------------|------------------------------|
| Outside Debt Limit: | | | | | |
| Water pipe replacement | 3.38% | 12/22/09 | 12/10/49 | \$ 143,000 | \$ <u>139,425</u> |

Future Debt Service

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2011, are as follows:

| Governmental | Principal | Interest | Total |
|--------------|-------------------|------------------|-------------------|
| 2012 | \$ 3,575 | \$ 4,705 | \$ 8,280 |
| 2013 | 3,575 | 4,585 | 8,160 |
| 2014 | 3,575 | 4,464 | 8,039 |
| 2015 | 3,575 | 4,344 | 7,919 |
| 2016 | 3,575 | 4,223 | 7,798 |
| 2017-2021 | 17,875 | 19,305 | 37,180 |
| 2022-2026 | 17,875 | 16,289 | 34,164 |
| 2027-2031 | 17,875 | 13,272 | 31,147 |
| 2032-2036 | 17,875 | 10,256 | 28,131 |
| 2037-2041 | 17,875 | 7,239 | 25,114 |
| 2042-2046 | 17,875 | 4,223 | 22,098 |
| 2047-2050 | 14,300 | 1,207 | 15,507 |
| | <u>\$ 139,425</u> | <u>\$ 94,112</u> | <u>\$ 233,537</u> |

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

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| | Balance June 30, 2010 | Additions | Reductions | Balance June 30, 2011 | Amounts Due within One Year |
|---------------------------------|--------------------------|------------|------------|--------------------------|-----------------------------------|
| Governmental activities: | | | | | |
| Bond Payable: | | | | | |
| General obligation bonds | \$ 143,000 | \$ - | \$ 3,575 | \$ 139,425 | \$ 3,575 |
| OPEB obligation payable | 156,267 | 158,918 | - | 315,185 | - |
| Compensated absences | 176,387 | 12,895 | 28,770 | 160,512 | 19,262 |
| Governmental activity | | | | | |
| Long-term liabilities | \$ 475,654 | \$ 171,813 | \$ 32,345 | \$ 615,122 | \$ 22,837 |

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, 2011.

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, 2011

| | |
|---|----------------------|
| Equalized Valuation-Real Estate and Personal Property (2010) | \$ 399,959,200 |
| Debt Limit: 5 % of Equalized value | <u>\$ 19,997,960</u> |
| Total Debt Outstanding | \$ 139,425 |
| Less: Debt Outside Debt Limit | <u>(139,425)</u> |
| Inside Debt Excess Borrowing Capacity at June 30, 2011 | <u>\$ 19,997,960</u> |

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, 2011.

F. Fund Balances

The following is a summary of the Governmental Fund fund balances of the Town at the year ended June 30, 2011:

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

| | General Fund | Water Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|----------------------------------|-----------------|---------------|-----------------------------------|--------------------------------|
| Nonspendable: | | | | |
| Permanent funds | \$ - | \$ - | \$ 278,010 | \$ 278,010 |
| Restricted: | | | | |
| Federal and state grants | - | - | 198,125 | 198,125 |
| Revolving funds | - | - | 21,034 | 21,034 |
| Gifts and donations | - | - | 75,953 | 75,953 |
| Permanent funds | - | - | 268,991 | 268,991 |
| Other | - | - | 275,607 | 275,607 |
| | - | - | 839,710 | 839,710 |
| Committed: | | | | |
| Encumbrances | - | 138,548 | - | 138,548 |
| Assigned: | | | | |
| General government | 185,300 | - | 31,289 | 216,589 |
| Public safety | 19,527 | - | - | 19,527 |
| Public works | 155,893 | - | 12,539 | 168,432 |
| Health and human services | 16,613 | - | - | 16,613 |
| Culture and recreation | 12,043 | - | - | 12,043 |
| Subsequent year's budget | 593,292 | - | - | 593,292 |
| Water | - | 102,646 | - | 102,646 |
| | 982,668 | 102,646 | 43,828 | 1,129,142 |
| Unassigned: | 4,836,523 | - | - | 4,836,523 |
| Total Governmental fund balances | \$ 5,819,191 | \$ 241,194 | \$ 1,161,548 | \$ 7,221,933 |

G. 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, 2011, \$3,826,311 has been set aside in the stabilization fund and is reported in the General Fund as unassigned fund balance.

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
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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. 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, 2011, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2011.

C. 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 2011 fiscal year, the Town contributed \$46,241 to the plan.

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
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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 | \$ | 124,906 |
| Amortization of unfunded actuarial accrued liability | | 80,152 |
| Annual required contribution | | 205,058 |
| Interest on net OPEB obligation | | 6,251 |
| Adjustment to annual required contribution | | (6,150) |
| Annual OPEB cost (expense) | | 205,159 |
| Contributions made during the fiscal year | | 46,241 |
| Increase in net OPEB obligation | | 158,918 |
| Net OPEB Obligation - beginning of year | | 156,267 |
| Net OPEB Obligation - end of year | \$ | 315,185 |

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2011 fiscal year and the two preceding years were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------|------------------|---|---------------------|
| 06/30/09 | N/A | N/A | N/A |
| 06/30/10 | \$ 197,939 | 21.05% | \$ 156,267 |
| 06/30/11 | \$ 205,159 | 22.54% | \$ 315,185 |

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

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

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.

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 – 2011 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.

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
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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% |

D. 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 \$22,665 for the fiscal year ending June 30, 2011, and, accordingly, are reported in the General Fund as intergovernmental revenues and employee benefit expenditures.

The Town has approximately 30 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 23 Midstate Drive, Auburn, Massachusetts.

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
NOTES TO THE FINANCIAL STATEMENTS
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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, 2011, 2010 and 2009 is shown below, which equaled its required contribution for each fiscal year.

| Year Ended June 30 | Town's Contribution |
|-----------------------------------|--------------------------------|
| 2011 | \$ 138,880 |
| 2010 | \$ 132,341 |
| 2009 | \$ 121,097 |

The last actuarial valuation was prepared by Ricci Consultants, Incorporated as of January 1, 2010. 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% compounded annually, (b) projected salary, including longevity, increases of 3% per year per member.

The total unfunded actuarial liability applicable to the entire System's employees at January 1, 2010 is as follows:

| | |
|------------------------------|-----------------------|
| Actuarial Accrued Liability | \$ 863,002,067 |
| Assets | 413,976,785 |
| Unfunded Actuarial Liability | <u>\$ 449,025,282</u> |

The Town's portion of such liability is approximately .45% or \$2,020,614.

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

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
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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.

5. RESTATEMENT

As required by GASB Statement No. 54, fund balances as of June 30, 2010, have been restated. The beginning fund balance of the General fund increased by \$4,322,656 to \$6,557,047 to reflect the stabilization funds in the General fund, the beginning fund balance of the stabilization fund (a prior major fund) decreased by \$1,646,812, the water stabilization fund (a prior major fund) decreased by \$2,387,779 and the nonmajor governmental funds decreased by \$288,065.

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, 2011**

| | Fund Balances | | Revenues | | Expenditures | | Other Financing Sources (Uses) | | Fund Balances | |
|--|-------------------|----------------|----------------|-------------------|--------------|---------------|--------------------------------|---------------|---------------|---------------|
| | July 1, 2010 | June 30, 2011 | July 1, 2010 | June 30, 2011 | July 1, 2010 | June 30, 2011 | July 1, 2010 | June 30, 2011 | July 1, 2010 | June 30, 2011 |
| Special Revenue: | | | | | | | | | | |
| Federal and State Grants: | | | | | | | | | | |
| Arts Lottery Council Grants | \$ 2,533 | \$ 3,870 | \$ 5,883 | \$ 545 | | | | | | |
| Council on Aging Grants | 4,315 | 11,354 | 11,660 | 4,009 | | | | | | |
| Emergency Preparedness Coalition Grant | 2,000 | - | - | 2,000 | | | | | | |
| Extended Polling Hours | 4,208 | 603 | 3,574 | 1,237 | | | | | | |
| Highway Grants | 280,678 | - | 327,363 | 137,430 | | | 184,115 | | | |
| Library Grants | 24,795 | 8,105 | 3,177 | 29,723 | | | - | | | |
| Public Safety Grants | 15,993 | 5,914 | 5,950 | 15,057 | | | (900) | | | |
| Smart Growth Grant | 4,558 | - | - | 4,558 | | | - | | | |
| Storm Water Grant | 3,346 | - | - | - | | | (3,346) | | | |
| Vaccine Grant | 8,195 | - | 5,866 | 2,329 | | | - | | | |
| Other: | | | | | | | | | | |
| Cable Access Grant | 7,573 | - | 6,337 | 1,236 | | | - | | | |
| Cemetery Revolving | 3,080 | 5,850 | 6,460 | 2,470 | | | - | | | |
| Conservation Improvement Fund | 7,758 | 2,502 | 1,100 | 9,160 | | | - | | | |
| Curb Cut Escrow | 51,390 | 1,055 | 2,000 | 50,445 | | | - | | | |
| Gifts and Donations | 48,666 | 78,525 | 51,211 | 75,955 | | | (25) | | | |
| Housing and Septic Repair Loan Repayments | 229,788 | 7,821 | 13,510 | 224,099 | | | - | | | |
| Insurance Proceeds | 256 | 9,339 | 7,987 | - | | | (1,608) | | | |
| Planning Board Revolving | 1,600 | - | - | 1,600 | | | - | | | |
| Police Off Duty Detail Revolving | 10,286 | 103,818 | 106,445 | 7,659 | | | - | | | |
| Regional Purchasing Grant | - | 1,500 | 1,500 | - | | | - | | | |
| Road Machinery Fund | 10,009 | 2,530 | - | 12,539 | | | - | | | |
| Storm Water Revolving | 145 | - | - | 145 | | | - | | | |
| Conservation Commission Fund | 6,190 | 116 | 1,250 | 5,056 | | | - | | | |
| Self Insurance Trust | 25,576 | 536 | - | 26,112 | | | - | | | |
| Unrealized Gain/Loss | (399) | 1,582 | - | 1,183 | | | - | | | |
| Total Special Revenue | 752,539 | 245,020 | 561,273 | 614,547 | | | 178,261 | | | |
| Perpetual Permanent Funds: | | | | | | | | | | |
| Cemetery Perpetual Care Funds | 168,291 | 550 | - | 168,841 | | | - | | | |
| 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 | | | - | | | |
| Total Perpetual Permanent Funds Page 42 | \$ 237,477 | \$ 550 | \$ - | \$ 238,027 | | | \$ - | | | |

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

| | Fund Balances | | Revenues | Expenditures | Other Financing | | Fund Balances |
|---|---------------------|---------------------|-------------------|-------------------|-------------------|---------------|---------------------|
| | July 1, 2010 | June 30, 2011 | | | Sources (Uses) | June 30, 2011 | |
| Continued from Page 42: | \$ 237,477 | \$ 238,027 | \$ 550 | \$ - | \$ - | \$ - | \$ 238,027 |
| Helen B. Hawks/Stickney Fund | 10,892 | 10,892 | - | - | - | - | 10,892 |
| Margaret Preisach Magnante Fund | 27,597 | 28,111 | 514 | - | - | - | 28,111 |
| Other Trust Funds: | | | | | | | |
| Col. Fairfax Ayers Monument Fund | 980 | 980 | - | - | - | - | 980 |
| Total Perpetual Permanent Funds | 276,946 | 278,010 | 1,064 | - | - | - | 278,010 |
| Permanent Funds: | | | | | | | |
| Cemetery Perpetual Care Funds | 88,143 | 87,039 | 7,310 | 8,414 | - | - | 87,039 |
| Library Funds | 29,850 | 41,023 | 11,880 | 707 | - | - | 41,023 |
| Quaboag Park/Town Common Funds : | | | | | | | |
| John G. Shackley Fund | 2,408 | 1,699 | 1,046 | 1,755 | - | - | 1,699 |
| Helen Paige Shackley Bandstand | 4,335 | 1,655 | 320 | 3,000 | - | - | 1,655 |
| Helen B. Hawks/Stickney Fund | 990 | 1,239 | 249 | - | - | - | 1,239 |
| Margaret Preisach Magnante Fund | 2,446 | 3,234 | 788 | - | - | - | 3,234 |
| Priscilla E. Side Fund | 8,696 | 8,878 | 182 | - | - | - | 8,878 |
| Common Committee Fund | 5,061 | 2,871 | 1,127 | 3,317 | - | - | 2,871 |
| Other Trust Funds: | | | | | | | |
| Col. Fairfax Ayers Monument Fund | 2,843 | 2,924 | 81 | - | - | - | 2,924 |
| Historical Commission Fund | 70,141 | 76,300 | 9,451 | 3,292 | - | - | 76,300 |
| Lucy Stone Birthplace Fund | 813 | 830 | 17 | - | - | - | 830 |
| Recreation Committee Fund | 6,822 | 7,965 | 1,143 | - | - | - | 7,965 |
| Reynis Town Hall Interior Fund | 37,949 | 31,226 | 796 | 7,519 | - | - | 31,226 |
| Unrealized Gain/Loss | (676) | 2,108 | 2,784 | - | - | - | 2,108 |
| Total Permanent Funds | 259,821 | 268,991 | 37,174 | 28,004 | - | - | 268,991 |
| Total Non-Major Governmental Funds | \$ 1,289,306 | \$ 1,161,548 | \$ 283,258 | \$ 589,277 | \$ 178,261 | \$ - | \$ 1,161,548 |

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY AND SUPPLEMENTAL TAXES
JULY 1, 2010 TO JUNE 30, 2011**

| | Uncollected Taxes July 1, 2010 | Commitments | Abatements and Adjustments | Collections Net of Refunds and Overpayments | Uncollected Taxes June 30, 2011 | Uncollected Taxes Per Detail June 30, 2011 |
|--|--------------------------------------|---------------------|----------------------------------|---|---------------------------------------|---|
| Real Estate Taxes: | | | | | | |
| Levy of 2011 | \$ - | \$ 3,929,095 | \$ 43,927 | \$ 3,723,754 | \$ 161,414 | \$ 161,413 |
| Levy of 2010 | 125,706 | - | 26,166 | 61,751 | 37,789 | 37,789 |
| Levy of 2009 | 53,928 | - | - | 13,117 | 40,811 | 40,811 |
| Levy of 2008 | 8,398 | - | (1,696) | 2,593 | 7,501 | 7,501 |
| Levy of 2007 | 19,861 | - | 19,057 | 1,880 | (1,076) | (1,076) |
| Prior Years | 510 | - | 1,019 | 1 | (510) | (681) |
| | <u>208,403</u> | <u>3,929,095</u> | <u>88,473</u> | <u>3,803,096</u> | <u>245,929</u> | <u>245,757</u> |
| Personal Property Taxes: | | | | | | |
| Levy of 2011 | - | 74,025 | 218 | 73,166 | 641 | 641 |
| Levy of 2010 | 2,984 | - | - | 57 | 2,927 | 2,927 |
| Levy of 2009 | 2,566 | - | 1 | - | 2,565 | 2,565 |
| Levy of 2008 | 375 | - | 373 | - | 2 | 2 |
| Levy of 2007 | 338 | - | 374 | - | (36) | (36) |
| Prior Years | 21,430 | - | 6,792 | - | 14,638 | 14,638 |
| | <u>27,693</u> | <u>74,025</u> | <u>7,758</u> | <u>73,223</u> | <u>20,737</u> | <u>20,737</u> |
| Supplemental Taxes | | | | | | |
| Levy of 2005 | (25) | - | (25) | - | - | - |
| Total Real Estate, Personal Property and Supplemental Taxes | <u>\$ 236,071</u> | <u>\$ 4,003,120</u> | <u>\$ 96,206</u> | <u>\$ 3,876,319</u> | <u>\$ 266,666</u> | <u>\$ 266,494</u> |

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE TAXES
JULY 1, 2010 TO JUNE 30, 2011**

| | Uncollected Taxes July 1, 2010 | Commitments | Abatements and Adjustments | Collections Net of Refunds and Overpayments | Uncollected Taxes June 30, 2011 | Uncollected Taxes Per Detail June 30, 2011 |
|---|--------------------------------------|-------------------|----------------------------------|---|---------------------------------------|---|
| Motor Vehicle Excise Taxes: | | | | | | |
| Levy of 2011 | \$ - | \$ 341,910 | \$ 5,076 | \$ 281,950 | \$ 54,884 | \$ 54,701 |
| Levy of 2010 | 46,141 | 39,440 | 4,894 | 69,512 | 11,175 | 11,289 |
| Levy of 2009 | 18,288 | 32 | 296 | 9,716 | 8,308 | 8,310 |
| Levy of 2008 | 13,697 | - | - | 1,847 | 11,850 | 11,845 |
| Levy of 2007 | 9,211 | - | - | 1,188 | 8,023 | 8,023 |
| Prior Years | 31,580 | - | - | 419 | 31,161 | 31,168 |
| Total Motor Vehicle Excise Taxes | \$ 118,917 | \$ 381,382 | \$ 10,266 | \$ 364,632 | \$ 125,401 | \$ 125,336 |

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
 SCHEDULE OF TAX LIENS
 JULY 1, 2010 TO JUNE 30, 2011

| Uncollected Accounts July 1, 2010 | Commitments | Abatements and Adjustments | Collections Net of Refunds and Overpayments | Uncollected Accounts June 30, 2011 | Uncollected Accounts Per Detail June 30, 2011 |
|---|-------------|----------------------------------|---|--|--|
| \$ 169,463 | \$ 56,172 | \$ 6,192 | \$ 8,145 | \$ 211,298 | \$ 211,631 |
| Tax Liens | | | | | |

**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, 2011, which collectively comprise the Town of West Brookfield, Massachusetts' basic financial statements and have issued our report thereon dated October 7, 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 October 7, 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

Scanlon & Associates, LLC
October 7, 2011