

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
Report on the Examination of Basic Financial Statements
For the Year Ended June 30, 2015

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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, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2015, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, other postemployment benefit plan and pension plan schedules as listed on the table of contents 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of West Brookfield's basic financial statements. 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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Scanlon & Associates, LLC
South Deerfield, Massachusetts

November 10, 2015

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, 2015. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Town's financial performance.

Financial Highlights

- The Town's assets and deferred outflows of resources exceeded its liabilities by \$9,080,475 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$9,104,996 or a decrease of \$24,521 (.3%).
- As required by GASB Statement #68, in fiscal year 2015 the Town recognized their total net pension liability of \$3,496,380 along with a deferred outflow related to pension of \$2,103 on the statement of net position for the first time.
- At the close of the current fiscal year, the Town's total governmental funds reported total ending fund balance of \$4,976,891 this year, a decrease of \$202,103 (4%).
- The General Fund's total fund balance decreased \$27,902 (1%) to \$3,254,970. The ending General fund balance is 50% of revenues and transfers in and 49% of expenditures.
- Total liabilities of the Town decreased by \$81,343 (2%) to \$4,548,617 during the fiscal year. This was mainly attributed to net increases in compensated absences of \$33,128, the Other Post Employment Benefits (OPEB) of \$87,049 and the Net Pension Liability of \$82,712; and net decreases in warrants and accounts payable of \$85,214 and in tax refund payable of \$54,100.
- The Town had General fund free cash certified by the Department of Revenue in the amount of \$113,545. The key factors that attributed to the free cash amount for fiscal year 2015 were unexpended/unencumbered appropriations of \$121,000, excess over budget state and local receipt of \$227,400 and DOR reduction of \$175,000.

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 position* presents information on all assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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, and state assessments. The Town does not have any functions 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 two categories: governmental 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.

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 Position Highlights

	Governmental Activities		
	2015	2014	Change
Assets:			
Current assets	\$ 6,109,353	\$ 6,266,358	\$ (157,005)
Capital assets	7,517,636	7,305,912	211,724
Total assets	13,626,989	13,572,270	54,719
Deferred Outflows of Resources:			
Deferred outflows related to pensions	2,103	-	2,103
Liabilities:			
Current liabilities (excluding debt)	181,333	296,253	(114,920)
Noncurrent liabilities (excluding debt)	4,367,284	4,171,021	196,263
Total liabilities	4,548,617	4,467,274	81,343
Net Position:			
Net Investment in Capital Assets	7,517,636	7,305,912	211,724
Restricted	1,412,530	1,460,714	(48,184)
Unrestricted	150,309	338,370	(188,061)
Total net position	\$ 9,080,475	\$ 9,104,996	\$ (24,521)

Financial Highlights
Statement of Activities Highlights

	Governmental Activities		
	2015	2014	Change
Program Revenues:			
Charges for services	\$ 557,192	\$ 624,237	\$ (67,045)
Operating grants and contributions	467,317	636,362	(169,045)
Capital grants and contributions	490,171	471,025	19,146
General Revenues:			
Property taxes	5,071,169	4,817,735	253,434
Motor vehicle and other taxes	451,579	456,286	(4,707)
Penalties and interest on taxes	52,512	57,606	(5,094)
Nonrestricted grants	500,595	505,936	(5,341)
Unrestricted investment income	16,225	92,147	(75,922)
Miscellaneous	1,388	60	1,328
Total revenues	7,608,148	7,661,394	(53,246)
Expenses:			
General government	652,271	680,272	(28,001)
Public safety	821,960	871,401	(49,441)
Public works	838,465	933,607	(95,142)
Water	381,572	415,761	(34,189)
Education	3,574,518	3,346,997	227,521
Health and human services	223,163	196,132	27,031
Culture and recreation	333,117	298,005	35,112
Employee benefits and insurance	749,912	635,893	114,019
State assessments	58,791	26,535	32,256
Interest	-	1,780	(1,780)
Total expenses	7,633,769	7,406,383	227,386
Net (expenses) revenues	(25,621)	255,011	(280,632)
Contributions to permanent funds	1,100	-	1,100
Change in net assets	(24,521)	255,011	(280,632)
Net assets - beginning of year	9,104,996	12,263,653	(3,158,657)
Net assets - end of year	\$ 9,080,475	\$ 12,518,664	\$ (3,438,189)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$9,080,475 at the close of fiscal year 2015.

Net position of \$7,517,636 (83%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); 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 position, \$1,412,530 (16%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$150,309 (1%) 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 position decreased by \$24,521 (.3%) during the current fiscal year. The key elements of the decrease in net position for fiscal year 2015 are attributed to an increase in the acquisition of \$714,982 in new capital assets exceeding the depreciation expense (normally spread out over the useful life of the asset) for the year of \$503,258 and decreases as a result of recognizing this year's OPEB obligation of \$87,049 and net pension liability of \$82,712.

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, the general fund *unassigned 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 \$4,976,891 a decrease of \$202,103 (4%) in comparison with the prior year.

The breakdown of the governmental fund balances is as follows:

- Nonspendable fund balance - \$285,631 (6%).
- Restricted fund balance - \$923,654 (19%).
- Committed fund balance - \$512,636 (10%).
- Assigned fund balance - \$1,190,005 (24%).
- Unassigned fund balance – \$2,064,965 (41%).

At the end of the fiscal year, the *General Fund* reported a fund balance of \$3,254,970 decreasing \$27,902 (1%) from the prior year. Of the \$3,254,970, the unassigned amount is \$2,064,965 (63%) and the assigned amount is \$1,190,005 (37%). General fund revenues were \$96,598 (2%) more than the prior fiscal year while expenditures also increased by \$125,911 (2%). Other activities in the General Fund were net transfers from other funds of \$92,096.

The *Water Fund* is the financing and operations of the Town's water system. The water fund has accumulated a balance of \$242,250 and shows an increase of \$21,472 (10%) in total operations. This change resulted from revenues exceeding expenditures. Revenues increased by \$9,882 (3%) while operating expenses decreased by \$149,046 (30%) from the prior year.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2015 was \$7,050,839. This was an increase of \$112,409 (2%) over the previous year's budget.

There was an increase of \$216,607 between the total original budget including the amounts carried forward and the total final amended budget. The change is attributed to adjustments voted at the special town meeting in November 2014 for various budget operating line items.

General fund expenditures were less than budgeted by \$464,456. Of the \$464,456 in under budget expenditures, \$343,451 has been carried over to fiscal year 2016.

There is a negative variance in interest on taxes of \$2,488 as a result of more timely collections.

Negative variances exist in Public works of \$58,257 and State assessments of \$31,296. The actual Public works expenses exceeded the budget mainly as a result of higher than anticipated expenses for winter snow activities. In state assessments, the Town had a higher assessment in the school choice sending tuitions than budgeted.

The variance with the final budget was a positive \$356,106 consisting of a revenue surplus of \$235,101 and an appropriation surplus of \$121,005.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental activities as of June 30, 2015 amounts to \$7,517,636.

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

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

- Town Hall and Fire Station gas heating conversion for \$21,316.
- Highway vehicle and equipment for \$56,110.
- Road infrastructure improvements for \$483,230.
- Lake Wickaboag water quality improvement for \$37,827.
- Water department vehicle for \$33,865.
- Leland Road Wellfield & Treatment facility improvements for \$82,634.

Debt Administration. As of June 30, 2015, the Town does not have any outstanding governmental debt.

Please refer to notes 3D and 3F for further discussion of the major capital assets 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 financial statements for June 30, 2015 do not reflect the fiscal year 2016 Town Meeting action with the exception of the free cash and stabilization amounts. The Annual Town Meeting on June 2, 2015 authorized a fiscal year 2016 operating and capital budget as follows:

From the tax levy	\$	6,617,778
From Other Available Funds:		
General Fund:		
Unassigned fund balance:		
Free cash		582,362
Fire Truck Stabilization Fund	\$	50,000
General Purpose Stabilization Fund		214,191
		264,191
		\$ 7,464,331

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 POSITION
JUNE 30, 2015**

	Primary Government
	Governmental
	Activities
ASSETS	
CURRENT:	
Cash and Cash Equivalents	\$ 1,867,903
Investments	3,194,436
Receivables, net of allowance for uncollectibles:	
Property Taxes	353,374
Tax Liens	199,028
Excise Taxes	166,005
User Charges	64,327
Departmental	10,743
Due from Other Governments	253,537
Total current assets	6,109,353
NONCURRENT:	
Capital Assets, net of accumulated Depreciation	
Nondepreciable	541,369
Depreciable	6,976,267
Total noncurrent assets	7,517,636
Total Assets	13,626,989
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	2,103
	2,103
LIABILITIES	
CURRENT:	
Warrants and Accounts Payable	59,337
Accrued Payroll	47,396
Payroll Withholdings	2,134
Tax Refund Payable	10,100
Other	23,031
Compensated Absences	39,335
Total current liabilities	181,333
NONCURRENT:	
Compensated Absences	157,339
OPEB Obligation Payable	713,565
Net Pension Liability	3,496,380
Total noncurrent liabilities	4,367,284
Total Liabilities	4,548,617
NET POSITION	
Net Investment in Capital Assets	7,517,636
Restricted for:	
Federal & State Grants	294,390
Permanent Funds:	
Expendable	363,374
Nonexpendable	285,631
Other Purposes	469,135
Unrestricted	150,309
Total Net Position	\$ 9,080,475

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, 2015**

	Program Revenues				Net (Expenses) Revenues and and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	<u>Primary Government</u> Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 652,271	\$ 33,778	\$ 59,360	\$ -	\$ (559,133)
Public Safety	821,960	122,169	12,703	-	(687,088)
Public Works	838,465	18,159	15,815	490,171	(314,320)
Water	381,572	362,866	-	-	(18,706)
Education	3,574,518	-	259,765	-	(3,314,753)
Health and Human Services	223,163	20,220	51,995	-	(150,948)
Culture and Recreation	333,117	-	65,532	-	(267,585)
Employee Benefits and Insurance	749,912	-	2,147	-	(747,765)
State Assessments	58,791	-	-	-	(58,791)
Total Governmental Activities	7,633,769	557,192	467,317	490,171	(6,119,089)
Total Primary Government	\$ 7,633,769	\$ 557,192	\$ 467,317	\$ 490,171	(6,119,089)
General Revenues:					
Property Taxes					5,071,169
Motor vehicle excise and other taxes					451,579
Penalties & Interest on Taxes					52,512
Grants & Contributions not restricted to specific programs					500,595
Unrestricted Investment Income					16,225
Miscellaneous					1,388
Contributions to Permanent Funds					1,100
Total General Revenues and Contributions					6,094,568
Change in Net Position					(24,521)
Net Position:					
Beginning of year (as restated)					9,104,996
End of year					\$ 9,080,475

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

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Water Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 1,053,037	\$ 251,957	\$ 562,909	\$ 1,867,903
Investments	2,300,869	-	893,567	3,194,436
Receivables, net of allowance for uncollectibles:				
Property Taxes	353,374	-	-	353,374
Tax Liens	199,028	-	-	199,028
Excise Taxes	166,005	-	-	166,005
User Charges	-	64,327	-	64,327
Departmental	-	-	10,743	10,743
Due from Other Governments	25,985	-	227,552	253,537
Total Assets	\$ 4,098,298	\$ 316,284	\$ 1,694,771	\$ 6,109,353
Liabilities:				
Warrants Payable	\$ 41,215	\$ 6,267	\$ 11,855	\$ 59,337
Accrued Payroll	43,956	3,440	-	47,396
Payroll Withholdings	2,134	-	-	2,134
Tax Refund Payable	10,100	-	-	10,100
Other	23,031	-	-	23,031
Total Liabilities	120,436	9,707	11,855	141,998
Deferred Inflows of Resources:				
Unavailable Revenue	722,892	64,327	203,245	990,464
Fund Balance:				
Nonspendable	-	-	285,631	285,631
Restricted	-	-	923,654	923,654
Committed	-	242,250	270,386	512,636
Assigned	1,190,005	-	-	1,190,005
Unassigned	2,064,965	-	-	2,064,965
Total Fund Balance	3,254,970	242,250	1,479,671	4,976,891
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,098,298	\$ 316,284	\$ 1,694,771	\$ 6,109,353

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, 2015**

	General Fund	Water Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 5,012,315	\$ -	\$ -	\$ 5,012,315
Intergovernmental	719,841	-	406,797	1,126,638
Excise and Other Taxes	422,669	-	-	422,669
Licenses, Permits, Fees	223,034	-	-	223,034
Charges for Services	-	365,776	70,092	435,868
Interest on Taxes	52,512	-	-	52,512
Investment Income	36,014	-	19,527	55,541
Gifts and Donations	-	-	70,735	70,735
Other	-	-	43,292	43,292
Total Revenues	6,466,385	365,776	610,443	7,442,604
Expenditures:				
Current:				
General Government	568,653	-	54,883	623,536
Public Safety	697,656	-	54,667	752,323
Public Works	763,449	-	436,045	1,199,494
Water	-	344,304	67,873	412,177
Education	3,551,713	-	-	3,551,713
Health and Human Services	150,221	-	40,134	190,355
Culture and Recreation	218,646	-	55,418	274,064
Employee Benefits and Insurance	577,254	-	5,000	582,254
State Assessments	58,791	-	-	58,791
Total Expenditures	6,586,383	344,304	714,020	7,644,707
Excess of Revenues Over (Under) Expenditures	(119,998)	21,472	(103,577)	(202,103)
Other Financing Sources (Uses):				
Operating Transfers In	92,096	-	-	92,096
Operating Transfers Out	-	-	(92,096)	(92,096)
Total Other Financing Sources (Uses)	92,096	-	(92,096)	-
Net Change in Fund Balances	(27,902)	21,472	(195,673)	(202,103)
Fund Balances, Beginning of Year	3,282,872	220,778	1,675,344	5,178,994
Fund Balances, End of Year	\$ 3,254,970	\$ 242,250	\$ 1,479,671	\$ 4,976,891

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 Position
For the Year Ended June 30, 2015

Total Governmental Fund Balances	\$	4,976,891
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.		7,517,636
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions		2,103
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.		990,464
Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:		
Other Post Employment Benefits Payable	\$ (713,565)	
Net Pension Liability	(3,496,380)	
Compensated Absences	(196,674)	(4,406,619)
Net Position of Governmental Activities	\$	<u>9,080,475</u>

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, 2015

Net Change in Fund Balances - Total Governmental Funds \$ (202,103)

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	\$ 714,982	
Depreciation	<u>(503,258)</u>	211,724

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 unavailable revenue 166,644

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	(33,128)	
Net Change in Other Post Employment Benefits	(87,049)	
Net Change in Deferred Outflow/(Inflow) of Resources Related to Pensions	2,103	
Net Change in Net Pension Liability	<u>(82,712)</u>	<u>(200,786)</u>

Change in Net Position of Governmental Activities \$ (24,521)

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

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS
STATEMENT OF REVENUES AND EXPENDITURES - BUDETARY BASIS -
(NON-GAAP) - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts				Actual Budgetary Basis	Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)
	Amounts Carried	Original Budget	Final Budget	Actual			
	Forward from Prior Year						
Revenues:							
Property Taxes	\$ -	\$ 4,927,478	\$ 4,943,860	\$ 4,951,515	\$ -	\$ 7,655	
State Receipts	-	708,284	708,284	719,841	-	11,557	
Excise and Other Taxes	-	311,200	311,200	422,669	-	111,469	
Licenses, Permits, Fees	-	122,400	122,400	223,034	-	100,634	
Interest on Taxes	-	55,000	55,000	52,512	-	(2,488)	
Investment Income	-	5,000	5,000	11,274	-	6,274	
Total Revenues	-	6,129,362	6,145,744	6,380,845	-	235,101	
Expenditures:							
Current:							
General Government	91,651	610,647	737,705	568,653	116,951	52,101	
Public Safety	4,136	685,135	745,413	697,656	15,889	31,868	
Public Works	208,361	590,171	892,243	763,449	187,031	(58,237)	
Education	-	3,537,587	3,567,587	3,551,713	-	15,874	
Health and Human Services	-	149,188	158,997	150,221	-	8,776	
Culture and Recreation	14,700	253,834	268,834	218,646	23,580	26,608	
Employee Benefits and Insurance	-	661,327	652,565	577,254	-	75,311	
State Assessments	-	27,495	27,495	58,791	-	(31,296)	
Total Expenditures	318,848	6,515,384	7,050,839	6,586,383	343,451	121,005	
Excess of Revenues Over (Under) Expenditures	(318,848)	(386,022)	(905,095)	(205,538)	(343,451)	356,106	
Other Financing Sources (Uses):							
Operating Transfers In	-	111,191	120,581	203,287	-	82,706	
Operating Transfers Out	-	-	-	-	-	-	
Total Other Financing Sources (Uses)	-	111,191	120,581	203,287	-	82,706	
Net Change in Budgetary Fund Balance	(318,848)	(274,831)	(784,514)	(2,251)		<u>\$ 438,812</u>	
Other Budgetary Items:							
Free Cash and Other Reserves	-	330,999	521,834				
Prior year deficits	-	(56,168)	(56,168)				
Prior Year Encumbrances	318,848	-	318,848				
Total Other Budgetary Items	318,848	274,831	784,514				
NET BUDGET	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				

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, 2015

	Revenues	Expenditures
Reported on a Budgetary Basis	\$ 6,380,845	\$ 6,586,383
<i>Adjustments:</i>		
Activity for Stabilization Fund Recorded in the General Fund for GAAP Purposes	24,740	-
Net Increase in Revenue from recording Refund Taxes Payable	54,100	-
Net Increase in Revenue from Recording 60-Day Receipts	6,700	-
Reported on a GAAP Basis	\$ 6,466,385	\$ 6,586,383

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

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015**

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 76,577
Total Assets	76,577
LIABILITIES	
Due to Others	5,877
Escrows and Deposits	70,700
Total Liabilities	76,577
NET POSITION	
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
Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 accounting policies are described herein.

A. Reporting Entity

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 2015, it was determined that no entities met the required GASB-39 and GASB-61 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 receiving service from the organization. Audited financial statements are available from the respective organizations. Descriptions of the related organizations are as follows:

West Brookfield Housing Authority - A public housing agency that provides housing assistance to eligible and qualified low and moderate-income families, the elderly and 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.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (e.g., statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. 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

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

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

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustment necessary to reconcile ending net position and the change in net position.

Major Fund Criteria

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

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

and

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

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

Fiduciary funds are reported by fund type.

C. 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 recognized 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.

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported.

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Under the modified accrual basis concept, 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 Town 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:

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.

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

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

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise and Trust Funds).

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

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 Town reports the following fiduciary funds:

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

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

D. Cash and Cash Equivalents

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

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

E. Investments

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

All investments are carried at fair value.

F. Receivables

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

Property Taxes and Tax Liens

Property taxes are based on assessments as of January 1, 2014 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 fiscal year 2015 on June 30, 2014 that were due on August 1, 2014 and November 3, 2014 and the actual tax bills were mailed on December 31, 2014 and March 31, 2015 that were due on February 2, 2015 and May 1, 2015, respectively.

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

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 2015 is as follows:

Legal Levy Limit Under Proposition	\$	4,886,636
2 1/2 for fiscal year 2015		158,134
Add: Debt Exclusion		<u>158,134</u>
	\$	<u><u>5,044,770</u></u>

The total amount raised by taxation was \$5,043,580.

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

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
Year Ended June 30, 2015

G. Capital Assets

Capital assets of the primary government include land, construction in progress, buildings and renovations, machinery, equipment and other, and infrastructure assets (e.g. roads, water mains, and similar items), are reported in the applicable governmental 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 and construction in progress) are depreciated on a straight-line basis. The estimated useful lives of fixed assets are as follows:

Capital Asset Type	Years
Buildings and renovations	10-30
Machinery, equipment and other	3-15
Infrastructure	20-40

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

H. Interfund Transfers

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

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

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

I. Deferred Outflows/Inflows of Resources

Government-wide financial statements

The government-wide financial statements *Statement of Net Position* includes a separate section, listed below total assets, for *deferred outflows of resources*. This represents the usage of net position applicable for future period(s) and will not be recognized as expenditures until the future period to which it applies. Currently, the only item in this category is *deferred outflows related to pensions*.

Fund financial statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises only under a modified accrual basis of accounting that qualifies in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for the Town's property, excise and other taxes; user charges, departmental revenue and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

J. Net Position and Fund Balances

In the Governmental-Wide financial statements, the difference between the Town's total assets, deferred outflows of resources and total liabilities represents net position. Net position displays three components – net investment in capital assets; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net position represents the net position available for future operations.

Net position classified as net investment in capital assets, consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Net position has 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
Year Ended June 30, 2015

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.

K. Long-term Debt

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

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

L. Compensated Absences

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

M. Post Retirement Benefits

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's 75% share of insurance premiums in the general fund in the fiscal year paid.

N. Pension Benefits

For purposes of measuring the net position liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Worcester Regional Retirement System (the System) is provided. Additions to and deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the system. For this purpose, benefit payments (including refunds of employee contributions), are recognized when due and payable according with the benefit terms. Investments are reported at their fair value.

O. 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.

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

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

- Department heads prepare their budgets.
- Department heads who are elected submit their budgets to the advisory board. 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 2015, the Town incurred a final budget deficit of \$784,514 for the General Fund.

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

Unassigned fund balance:	
Free cash votes	\$ 375,278
Overlay surplus	120,000
Fy2013 Federal Emergency Management receipts in the general fund	26,556
Prior year deficits	(56,168)
Prior year's encumbrances	318,848
	\$ 784,514

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

3. DETAILED NOTES

A. Deposits 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 June 30, 2015 were \$2,026,684. Of these, 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, 2015, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 to 5	More than 10
Debt Securities:				
U. S. treasury obligations	\$ 457,736	\$ -	\$ 457,736	\$ -
U. S. government agencies	614,695	96,143	404,277	114,275
Corporate bonds	389,130	50,742	338,388	-
Money market mutual fund	413,574	413,574	-	-
	<u>1,875,135</u>	<u>\$ 560,459</u>	<u>\$ 1,200,401</u>	<u>\$ 114,275</u>
Other Investments:				
Certificate of deposits	271,856			
Equity securities-domestic stocks	455,950			
Mutual funds	18,519			
MMDT	572,976			
	<u>\$ 3,194,436</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 \$3,194,436 in investments, none are uninsured and unregistered investments

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

for which the securities are held by the counterparty, or by its trust department but not in the Town's name. The Town has no policy on custodial credit risk.

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Town's exposure to credit risk as of June 30, 2015 is as follows:

Related Debt Instruments	Fair Value
Moody's Quality Ratings	
<i>U. S. Treasury Obligations:</i>	
Aaa	\$ 457,736
<i>U. S. Government Agencies:</i>	
Aaa	614,695
<i>Corporate Bonds:</i>	
A1	121,222
Baa1	50,968
Baa2	216,940
<i>Money Market Mutual Funds:</i>	
Not rated	413,574
	\$ 1,875,135

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 total investments are in the Federal Home Loan Bank and U.S. Treasury Notes amounting to 11.37% and 14.33%, respectively, of the Town's total investments.

B. Receivables

At June 30, 2015, receivables for the individual major governmental funds, non-major governmental funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts of the primary government, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and nonmajor governmental funds:			
Property taxes	\$ 374,321	\$ (20,947)	\$ 353,374
Tax liens	199,028	-	199,028
Excise taxes	233,652	(67,647)	166,005
User charges	64,827	(500)	64,327
Departmental	10,743	-	10,743
Due from other governments	253,537	-	253,537
	\$ 1,136,108	\$ (89,094)	\$ 1,047,014

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

The composition of amounts due from other governments as of June 30, 2015 for governmental funds is as follows:

General Fund:	
<i>Commonwealth of Massachusetts:</i>	
Department of Veterans Services:	
Veterans benefits	\$ 25,985
Nonmajor Governmental Funds:	
<i>Commonwealth of Massachusetts:</i>	
Massachusetts Department of Transportation:	
Highway Department - Chapter 90 funds	227,552
	\$ 253,537

C. Deferred Outflows and Inflows of Resources

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

General Fund:	
Property taxes	\$ 331,874
Tax liens	199,028
Excise taxes	166,005
Due from other governments	25,985
	\$ 722,892
Water Fund:	
User charges	64,327
Nonmajor Governmental Funds:	
Departmental	10,743
Due from other governments	192,502
	203,245
	\$ 990,464

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

D. Capital Assets

Capital asset activity for the year ended June 30, 2015, is as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 541,369	\$ -	\$ -	\$ 541,369
Construction in progress	1,605,041	67,869	(1,672,910)	-
Total capital assets not being depreciated	<u>2,146,410</u>	<u>67,869</u>	<u>(1,672,910)</u>	<u>541,369</u>
Capital assets being depreciated:				
Buildings and Renovations	4,613,462	21,316	-	4,634,778
Machinery, equipment and other	2,604,255	89,975	(18,000)	2,676,230
Infrastructure	3,897,507	2,208,732	-	6,106,239
Total capital assets being depreciated	<u>11,115,224</u>	<u>2,320,023</u>	<u>(18,000)</u>	<u>13,417,247</u>
Less accumulated depreciation for:				
Buildings and Renovations	2,374,939	167,194	-	2,542,133
Machinery, equipment and other	2,099,915	145,834	(18,000)	2,227,749
Infrastructure	1,480,868	190,230	-	1,671,098
Total accumulated depreciation	<u>5,955,722</u>	<u>503,258</u>	<u>(18,000)</u>	<u>6,440,980</u>
Total capital assets being depreciated, net	<u>5,159,502</u>	<u>1,816,765</u>	<u>-</u>	<u>6,976,267</u>
Total governmental activities capital assets, net	<u>\$ 7,305,912</u>	<u>\$ 1,884,634</u>	<u>\$ (1,672,910)</u>	<u>\$ 7,517,636</u>

Depreciation expense was charged to functions/programs of the governmental type activities as follows:

Governmental Activities:	
General government	\$ 44,953
Public safety	60,301
Public works	209,279
Education	22,805
Health and human services	29,987
Culture and recreation	56,038
Water	79,895
Total depreciation expense - governmental activities	<u>\$ 503,258</u>

E. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2015, are summarized below:

Transfers Out:	Transfers In:
	General fund
Nonmajor governmental funds	<u>\$ 92,096</u>

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

F. 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 both governmental activities.

A summary of the changes in governmental activities liabilities during the year is as follows:

	Balance				Balance	Amounts Due
	July 1, 2014	Additions	Reductions		June 30, 2015	within One
						Year
Governmental activities:						
Compensated absences	\$ 163,546	\$ 33,128	\$ -		\$ 196,674	\$ 39,335
OPEB liability obligation	626,516	87,049	-		713,565	-
Net pension liability	3,413,668	82,712	-		3,496,380	-
Governmental activity						
Long-term liabilities	<u>\$ 4,203,730</u>	<u>\$ 202,889</u>	<u>\$ -</u>		<u>\$ 4,406,619</u>	<u>\$ 39,335</u>

Legal Debt Limit

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town does not have any inside debt at June 30, 2015.

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, 2015:

Equalized Valuation-Real Estate and Personal Property (2014)		<u>\$ 363,571,800</u>
Debt Limit: 5 % of Equalized value		18,178,590
Total Debt Outstanding	\$ -	
Less: Debt Outside Debt Limit	-	-
Inside Debt Excess Borrowing Capacity at June 30, 2015		<u>\$ 18,178,590</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, 2015.

Overlapping Debt

The Town pays assessments which include debt service payments to other local governmental units providing services within the Town's boundaries (commonly referred to as overlapping debt). The following

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

summary sets forth the long term debt of the governmental unit, the estimated share of such debt being serviced by the Town and the total of its share of estimated indirect debt.

	Current Year's Long Term Debt	Town's Estimated Share	Town's Estimated Indirect Debt
Quaboag Regional School District:			
School Construction	\$ 580,000	38.55%	\$ 223,590
School Construction	300,000	100.00%	300,000
	\$ 880,000		\$ 523,590

The above debt does not reflect the Commonwealth of Massachusetts School Building Assistance grants to pay for the interest and principal on allowable costs.

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

G. Fund Balances

The following is a summary of the Governmental fund balances at the year ended June 30, 2015:

	General Fund	Water Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Permanent funds	\$ -	\$ -	\$ 285,631	\$ 285,631
Restricted:				
Federal, state and local grants	-	-	101,888	101,888
Town revolving funds	-	-	34,584	34,584
Donations and gifts	-	-	95,673	95,673
Permanent funds	-	-	363,933	363,933
Other	-	-	327,576	327,576
	-	-	923,654	923,654
Committed:				
Capital projects	-	-	265,086	265,086
Major Fund	-	242,250	-	242,250
Public works	-	-	5,300	5,300
	-	242,250	270,386	512,636
Assigned:				
General government	116,951	-	-	116,951
Public safety	15,889	-	-	15,889
Public works	187,031	-	-	187,031
Culture and recreation	23,580	-	-	23,580
Subsequent year's budget	846,554	-	-	846,554
	1,190,005	-	-	1,190,005
Unassigned:				
General Fund	2,064,965	-	-	2,064,965
Total Governmental fund balances	\$ 3,254,970	\$ 242,250	\$ 1,479,671	\$ 4,976,891

H. Special Trust Funds

Stabilization Fund

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.

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

At June 30, 2015 the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

General purpose stabilization fund	\$	750,374
Fire truck stabilization fund		210,338
Water stabilization fund		476,439
		476,439
	\$	1,437,151

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, 2015, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2015.

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

In addition to providing pension benefits, the Town provided post-employment health care and life insurance benefits for retired employees, their dependents and beneficiaries. The benefits, benefit levels, employee and employer contributions are governed by Massachusetts General Law chapter 32. There are approximately 40 active and retired employees that meet the eligibility requirements. The plan does not issue a separate financial report.

Funding Policy

The contribution requirements of plan members and the Town are established pursuant to applicable collective bargaining and employment contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2015 fiscal year, the Town provided required contributions of \$29,832 towards the annual OPEB cost, comprised of benefit payments made on behalf of retirees (net of reinsurance), administrative expenses and reinsurance payments, and net of retiree contributions.

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other post employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. 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:

	Governmental Activities
Annual required contribution	\$ 124,647
Interest on net OPEB obligation	21,928
Adjustment to annual required contribution	(29,694)
Annual OPEB cost (expense)	116,881
Contributions made during the fiscal year	(29,832)
Increase in net OPEB obligation	87,049
Net OPEB Obligation - beginning of year	626,516
Net OPEB Obligation - end of year	\$ 713,565

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2015 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 116,881	25.5%	\$ 713,565
6/30/2014	\$ 116,871	34.7%	\$ 626,516
6/30/2013	\$ 113,379	42.9%	\$ 550,224

Funded Status and Funding Process

As of June 30, 2013, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$1,142,905, and the actuarial value of assets was \$0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,142,905. The covered payroll (annual payroll of active employees covered by the plan) was \$1,100,000, and the ratio of the UAAL to the covered payroll was 103.9%.

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

Amounts determined regarding the funded status of the plan and the Annual Required Contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the Actuarial accrued liabilities for benefits.

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

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 Town OPEB actuarial valuation as of June 30, 2013, used a simplified version of the entry age actuarial cost method. The OPEB liability is currently unfunded and the actuarial assumptions include a 3.5% discount rate and average salary increase of 2%. The health care inflation trend rate for year one is 2.0% increasing for four years to an ultimate rate of 4% per year.

The unfunded actuarial accrued liability is being amortized over 30 years on a level percentage of payroll open basis. The remaining amortization period at June 30, 2015 is 24 years.

D. Pension Plan

Plan Description

The Town is a member of the Worcester Regional Retirement System (the System). The System is a cost-sharing multiple-employer public employee retirement system administered by a five-member board. Massachusetts General Laws (MGL), Chapter 32, assigns authority to establish the System and amend benefit provisions of the plan; which is regulated by the Public Employees Retirement Administration Commission (PERAC). The System is a defined benefit pension plan that covers substantially all employees of its member employers. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01510.

Benefits Provided

The System provides retirement, disability, survivor and death benefits to plan members and beneficiaries. MGL Chapter 32 establishes uniform benefit and contributory requirements for all contributory public employee retirement systems (PERS). The Massachusetts PERS benefits are uniform from system to system, with a few minor exceptions. Members of the System become vested after 10 years of creditable service. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Retirement benefits are determined as a percentage of the member's final three-year (five-year for members hired on or after April 2, 2012) final average compensation times the member's years of creditable service prior to retirement. The percentage is based on the age of the member at retirement and his or her Group classification. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. Most employees who joined the system on or after April 2, 2012 cannot retire prior to age 60. The authority for amending these provisions rests with the Massachusetts Legislature.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost of living adjustments granted between 1981 and 1997 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 Board and are borne by the System.

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

Contributions

MGL Chapter 32 governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 9% based upon their membership date of gross regular compensation with an additional 2% contribution after exceeding \$30,000 in annual covered compensation. The Town is required to pay into the System its share of the legislatively mandated actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The Town's proportionate share of the required contribution to the System for the year ended December 31, 2014 was \$232,198, representing 18.57% of the covered payroll, an actuarially determined amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year and an additional amount to finance any unfunded accrued liability.

Pension Liability

As of June 30, 2015, a reported liability of \$3,496,380 is the Town's proportionate share of the net pension liability as measured as of December 31, 2014. The net pension liability was determined using the total pension liability and the actuarial assumptions as of the January 1, 2014 and updated to the measurement date of December 31, 2014. This net pension liability is based on the Town's proportional percentage of 0.58756% as of December 31, 2014.

Pension Expense

For the year ended June 30, 2015, the Town recognized a pension expense of \$312,806 and reported deferred outflows of resources related to pensions of \$2,103, from the net difference between projected and actual investment earnings on pension plan investments. Since the System performs an actuarial valuation bi-annually, there are no reported differences between the expected and actual experience or a change of assumptions as of December 31, 2014. Additionally, the changes in proportion and differences between employer contributions and the proportionate share of contributions are not presented in the initial year of reporting in accordance with GASB Statement No. 67 and Statement No. 68.

The Town's deferred outflows of resources related to pensions will be recognized in the pension expense as follows;

For years ended June 30,	
2016	\$ 2,103
2017	2,103
2018	2,103
2019	2,103
	<u>\$ 8,412</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement that was updated December 31, 2014;

Valuation date	January 1, 2014
Actuarial cost method	Entry Age Normal

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

Amortization method	<p><i>Unfunded Actuarial Accrued Liability (UAAL):</i> Increasing dollar amount at 4.0% to reduce the UAAL to zero on or before June 30, 2035.</p> <p><i>2002 & 2003 Early Retirement Incentive (ERI):</i> Increasing dollar amount at 4.5% to reduce the 2002 & 2003 ERI to zero on or before June 30, 2028.</p> <p><i>2010 Early Retirement Incentive (ERI):</i> Increasing dollar amount to reduce the 2010 ERI to zero on or before June 30, 2022.</p>
Remaining amortization period	21 years, except for ERI for 2002 and 2003 (14 years) and 2010 (8 years)
Asset valuation method	<p>The actuarial value of assets is the market value of assets as of the Valuation date reduced by the sum of: 80% of the gains and losses of the prior year, 60% of the gains and losses of the second prior year, 40% of the gains and losses of the third prior year, and 20% of the fourth prior year. Investment gains and losses are determined by the excess or deficiency of the expected return over the actual return on the market value. The actuarial valuation of assets is further constrained to be not less than 80% or more than 120% of market value.</p>
Investment rate of return	8.0%, net of pension plan investment expense, including inflation
Projected salary increase	3.0% per year, including longevity
Inflation	Not explicitly assumed
Mortality rates	RP-2000 Mortality Table Projected to 2014 with Scale AA RP-2000 Mortality Table set forward two years for disabled members

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of December 31, 2014, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	43%	8.23%
Fixed income	23%	5.05%
Private Equity	10%	9.75%
Real Estate	10%	6.50%
Timber/Natural Resources	4%	6.88%
Hedge Funds	10%	7.00%
Other	0%	N/A
Total	<u>100%</u>	

Rate of Return

For the year ended December 31, 2014, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 7.79%. The money-weighted rate of return considers the changing amounts actually invested during a period and weighs the amount of pension plan investments by the proportion of time they are available to earn a return during that period. The rate of return is then calculated by solving, through an iterative process, for the rate that equates the sum of the weighted external cash flows into and out of the pension plan investments to the ending fair value of pension plan investments.

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that member employer contributions will be made in accordance with Section 22D and Section 22F of MGL Chapter 32. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments or current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8.0%. As well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Net pension liability	\$ 4,256,990	\$ 3,496,380	\$ 2,850,503

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2015

E. Implementation Of New GASB Pronouncements

The GASB issued Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 68, *Accounting and Financial Reporting for Pensions* for implementation in fiscal year 2015. The Town's basic financial statements recognize a net pension asset/(liability) and pension revenue/(expense) for the Town's portion of the Worcester Regional Retirement System actuarial accrued liability.

F. Future GASB Pronouncements

Management is currently assessing the impact the implementation of the following pronouncements will have on the basic financial statements.

The GASB issued Statement No. 72, *Fair Value Measurement and Application*, for implementation in 2016.

The GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, for implementation in 2016.

5. RESTATEMENT

As required by GASB Statement No. 67 and Statement No. 68, the net position of governmental activities as of June 30, 2014 has been restated. The beginning net position decreased \$3,413,668 to \$9,104,996 to reflect the pension liability.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
Required Supplementary Information
OPEB Schedule of Funding Progress, Employer Contributions and
Actuarial Methods and Assumptions
Other Post-Employment Benefit Plan
Year Ended June 30, 2015

Schedule of Funding Progress

Other Post Employment Benefits						
Actuarial Valuation Date	Actuarial Value 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)
6/30/2013	\$ -	\$ 1,142,905	\$ 1,142,905	0.0%	\$ 1,100,000	103.9%
6/30/2010	\$ -	\$ 1,958,609	\$ 1,958,609	0.0%	\$ 751,784	260.5%

Schedule of Employer Contributions

Other Post Employment Benefits				
Fiscal Year Ended June 30	Annual OPEB Cost	Actual Contributions Made	Percentage Contributed	
2015	\$ 116,881	\$ 29,832	25.5%	
2014	\$ 116,871	\$ 40,579	34.7%	
2013	\$ 113,379	\$ 48,595	42.9%	

The information presented in the above Required Supplementary Schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation can be found in the Notes to Basic Financial Statements.

Actuarial Methods and Assumptions:

Valuation date	June 30, 2013
Actuarial cost method	Entry Age Actuarial Cost method
Amortization method	30-year amortization payments
Discount rate	3.5%
Projected salary increases	2.0% applied for amortization purposes.
Medical/drug cost trend rate	2.0% in year one increasing 1% annually to an ultimate trend rate of 4.0% per year.

Plan Membership:

Current active members	18
Current retirees, beneficiaries and dependents	22
Total	40

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
Required Supplementary Information
Schedule of the Town's Proportionate Share of the Net Pension Liability
Worcester Regional Contributory Retirement System
For the Year Ended June 30, 2015

The Schedule of Proportionate Share of the Net Pension Liability represents multiyear trend information relating to the Town's proportion of the net pension liability and related ratios.

Schedule of the Town's Proportionate Share of the Net pension Liability:

	<u>12/31/14</u>
Town's proportion of the net pension liability (asset)	0.58756%
Town's proportionate share of the net pension liability (asset)	\$ 3,496,380
Town's covered employee payroll **	\$ 1,250,071
Net pension liability percentage of covered-employee payroll	279.69%
Plan fiduciary net position as a percentage of the total pension liability	47.94%

Note: these schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years of which the information is available.

** Indicates covered employee payroll as reported in the retirement system January 1, 2014 funding valuation report.

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedule
Worcester Regional Retirement System
For the Year Ended June 30, 2015

The Schedule of the Employer Contributions presents multiyear trend information on the Town's required and actual payments to the pension plan and related ratios.

Schedule of the Town's Contributions:

Schedule of the Town's Contributions:

	12/31/14
Actuarially determined contribution @	\$ 232,198
Less: Contributions in relation to the actuarially determined contribution	(232,198)
Contribution deficiency (excess)	\$ -
Town's covered employee payroll **	\$ 1,250,071
Contributions percentage of covered-employee payroll pension liability	18.57%

Note: these schedules are intended to present information for 10 years. Until a 10-year trend is compiled, the information is presented for those years of which the information is available.

** Indicates covered employee payroll as reported in the retirement system January 1, 2014 funding valuation report.

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, 2015

	Fund Balances July 1, 2014	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2015
Special Revenue:					
<i>Federal and State Grants:</i>					
Arts Lottery Council Grants	\$ 45	\$ 4,300	\$ -	\$ (4,344)	\$ 1
Council on Aging Grants	14,021	11,832	14,499	2,150	13,504
Emergency Preparedness Coalition Grant	571	-	-	-	571
Extended Polling Hours	3,934	794	-	-	4,728
Highway Grants	128,364	348,159	393,816	(82,707)	-
Library Grants	10,109	6,225	2,106	2,194	16,422
Public Safety Grants	8,149	12,704	8,558	-	12,295
Smart Growth Grant	4,558	-	-	-	4,558
Storm Water Grants	-	64,957	32,707	-	32,250
<i>Other:</i>					
Cable Grants	47,827	19,759	47,155	-	20,431
Cemetery Revolving	633	4,700	6,967	-	(1,634)
Conservation Funds	9,160	-	-	-	9,160
Curb Cut Escrow	38,484	4,246	4,500	-	38,230
Gifts and Donations	120,090	28,561	55,474	-	93,177
Housing and Septic Repair Loan Repayments	248,745	10,069	-	-	258,814
Insurance Proceeds	283	1,724	1,097	-	910
Planning Board Revolving	614	202	152	-	664
Police Off Duty Detail Revolving	9,347	51,515	46,109	-	14,753
Other Grants and Programs	258	-	-	-	258
Road Machinery Fund	9,389	5,300	-	(9,389)	5,300
Stewardship Program Revolving	6,573	3,110	2,887	-	6,796
Storm Water Revolving	4,175	2,265	2,135	-	4,305
Conservation Commission Trust	5,386	195	-	-	5,581
Self Insurance Trust	27,100	982	5,000	-	23,082
Total Special Revenue	697,815	581,599	623,162	(92,096)	564,156
Capital Projects:					
Well No.2 Leland Road	332,959	-	67,873	-	265,086
Perpetual Permanent Funds:					
Cemetery Perpetual Care Funds	174,341	1,100	-	-	175,441
Library Funds	8,286	-	-	-	8,286
Total Perpetual Permanent Funds Page 49	\$ 182,627	\$ 1,100	\$ -	\$ -	\$ 183,727

TOWN OF WEST BROOKFIELD, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Fund Balances July 1, 2014	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2015
Continued from Page 49:	\$ 182,627	\$ 1,100	\$ -	\$ -	\$ 183,727
Quaboag Park/Town Common Funds :					
John G. Shackley Fund	48,405	-	-	-	48,405
Helen Paige Shackley Bandstand	12,495	-	-	-	12,495
Helen B. Hawks/Stickney Fund	10,892	-	-	-	10,892
Margaret Preisach Magnante Fund	29,132	-	-	-	29,132
Other Trust Funds:					
Col. Fairfax Ayers Monument Fund	980	-	-	-	980
Total Perpetual Permanent Funds	284,531	1,100	-	-	285,631
Permanent Funds:					
Cemetery Perpetual Care Funds	87,705	13,230	7,409	-	93,526
Library Funds	69,274	16,925	8,000	-	78,199
Quaboag Park/Town Common Funds :					
John G. Shackley Fund	4,963	1,932	241	(1,680)	4,974
Helen Paige Shackley Bandstand	2,577	545	-	-	3,122
Helen B. Hawks/Stickney Fund	2,029	467	-	-	2,496
Margaret Preisach Magnante Fund	3,977	1,198	-	-	5,175
Priscilla E. Side Fund	9,457	342	-	-	9,799
Common Committee Fund	1,778	1,060	3,872	1,680	646
Other Trust Funds:					
Col. Fairfax Ayers Monument Fund	3,178	151	-	-	3,329
Historical Commission Fund	57,833	9,559	3,073	-	64,319
Lucy Stone Birthplace Fund	884	32	-	-	916
Peter Brady Memorial Fund	86	3	-	-	89
Recreation Committee Fund	9,516	344	-	-	9,860
Reynis Town Hall Interior Fund	26,035	937	390	-	26,582
Rice Fountain Trust	22,328	807	-	-	23,135
Total Permanent Funds	301,620	47,532	22,985	-	326,167
Change in Unrealized Gain/(Loss)	58,419	(19,788)	-	-	38,631
Total Non-Major Governmental Funds	\$ 1,675,344	\$ 610,443	\$ 714,020	\$ (92,096)	\$ 1,479,671

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS
SCHEDULE OF REAL ESTATE AND PERSONAL PROPERTY TAXES
JULY 1, 2014 TO JUNE 30, 2015**

	Uncollected Taxes July 1, 2014	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2015	Uncollected Taxes Per Detail June 30, 2015
Real Estate Taxes:						
Levy of 2015	\$ -	\$ 4,923,951	\$ 38,578	\$ 4,685,191	\$ 200,182	\$ 200,182
Levy of 2014	209,550	3,188	22,319	88,365	102,054	102,594
Levy of 2013	58,364	-	18,848	7,842	31,674	31,677
Levy of 2012	18,823	-	-	5,519	13,304	13,304
Levy of 2011	6,151	-	-	2,793	3,358	3,355
Prior Years	(1,604)	-	-	(355)	(1,249)	(1,439)
	<u>291,284</u>	<u>4,927,139</u>	<u>79,745</u>	<u>4,789,355</u>	<u>349,323</u>	<u>349,673</u>
Personal Property Taxes:						
Levy of 2015	-	119,621	-	117,359	2,262	2,262
Levy of 2014	1,418	-	-	279	1,139	1,139
Levy of 2013	418	-	-	(173)	591	591
Levy of 2012	257	-	-	(255)	512	512
Levy of 2011	502	-	-	(46)	548	548
Prior Years	19,946	-	-	-	19,946	19,946
	<u>22,541</u>	<u>119,621</u>	<u>-</u>	<u>117,164</u>	<u>24,998</u>	<u>24,998</u>
Total Real Estate and Personal Property Taxes	<u>\$ 313,825</u>	<u>\$ 5,046,760</u>	<u>\$ 79,745</u>	<u>\$ 4,906,519</u>	<u>\$ 374,321</u>	<u>\$ 374,671</u>

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE EXCISE TAXES
JULY 1, 2014 TO JUNE 30, 2015**

	Uncollected Taxes July 1, 2014	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2015	Uncollected Taxes Per Detail June 30, 2015
Motor Vehicle Excise Taxes:						
Levy of 2015	\$ -	\$ 413,134	\$ 5,175	\$ 341,040	\$ 66,919	\$ 66,919
Levy of 2014	88,406	47,745	5,086	56,285	74,780	74,780
Levy of 2013	46,759	-	1,169	15,426	30,164	30,164
Levy of 2012	4,637	-	20	1,645	2,972	2,977
Levy of 2011	4,430	-	-	760	3,670	3,670
Prior Years	56,217	-	-	1,070	55,147	55,147
Total Motor Vehicle Excise Taxes	\$ 200,449	\$ 460,879	\$ 11,450	\$ 416,226	\$ 233,652	\$ 233,657

**TOWN OF WEST BROOKFIELD, MASSACHUSETTS
SCHEDULE OF TAX LIENS
JULY 1, 2014 TO JUNE 30, 2015**

	Uncollected Accounts July 1, 2014	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2015	Uncollected Accounts Per Detail June 30, 2015
Tax Liens	\$ 193,727	\$ 49,814	\$ (275)	\$ 44,788	\$ 199,028	\$ 176,329