

TOWN OF WINCHESTER, MASSACHUSETTS

**INDEPENDENT AUDITORS' REPORT ON
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

TOWN OF WINCHESTER, MASSACHUSETTS

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Independent Auditors' Report



Certified Public Accountants

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Independent Auditors' Report

To the Honorable Board of Selectmen
Town of Winchester, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Winchester, Massachusetts, as of and for the fiscal year ended June 30, 2009 (except for the Winchester Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2008), which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Winchester, Massachusetts, as of June 30, 2009 (except for the Winchester Contributory Retirement System, which is as of December 31, 2008), and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully described in Note 13, the Town implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting for Employers for Postemployment Benefits Other Than Pensions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2010, on our consideration of the Town of Winchester, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis (located on pages 4 through 13) and the budgetary comparison for the general fund and certain pension information (located on pages 63 through 67, respectively) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Sullivan, J. & Co., LLC

February 23, 2010

Management's Discussion and Analysis

As management of the Town of Winchester, Massachusetts (Town), we offer readers of these financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2009.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$146,977,867 (net assets). Of this amount, \$22,662,563 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net assets decreased by \$5,628,167.
- As of the close of the fiscal year, the Town's governmental funds reported combined ending fund balances totaling \$25,019,231, an increase of \$7,527,217 in comparison with the prior year. Excluding the Hamilton Farm purchase capital projects fund (major fund), \$30,224,100 represents unreserved fund balance. The Hamilton Farm purchase capital projects fund deficit totaling \$12,494,830 is anticipated to be funded by the sale of the property in a future fiscal year.
- At the end of the fiscal year, undesignated fund balance for the general fund totaled \$8,429,836, or 9.8 percent of total general fund expenditures and transfers out. In the prior year, undesignated fund balance for the general fund totaled \$6,410,299.
- The Town's total outstanding bonded debt increased by \$12,071,735 during the fiscal year. The Town issued \$15,688,000 of new debt and retired \$3,750,526 of existing debt during the fiscal year.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the *basic financial statements*, which consists of the following three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements.

This report also contains required supplementary information in addition to the basic financial statements.

Government-wide financial statements

The government-wide and enterprise fund financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The **statement of net assets** presents information on all of the Town's non-fiduciary assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Town 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*).

Governmental activities include general government, public safety, education, public works, health and human services, culture and recreation and debt service (interest). Business-type activities include the Town's water and sewer operations.

The government-wide financial statements can be found on pages 15-17 of this report.

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. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into the following categories and are described below:

1. Governmental funds
2. Proprietary funds
3. 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 funds financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing 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 funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains 414 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, stabilization (special revenue), school construction (capital projects) and Hamilton Farm purchase (capital projects), funds, each of which are considered to be major funds. Data from the other 410 governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

The basic governmental funds financial statements can be found on pages 18-23 of this report.

Proprietary funds

The Town maintains one type of proprietary fund.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its water and sewer operations, which is considered to be a major fund.

The basic proprietary fund financial statements can be found on pages 24-26 of this report.

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 programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The fiduciary funds provide separate information for the Town's pension trust fund. Private-purpose trust funds and agency funds are reported and combined into a single, aggregate presentation in the fiduciary fund financial statements under the captions "private purpose trust funds" and "agency funds", respectively.

The basic fiduciary funds financial statements can be found on pages 27-28 of this report.

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. The notes to the financial statements can be found on pages 29-61 of this report.

Required supplementary information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the budget comparison for the general fund and certain pension information, which can be found on pages 63-67.

Government-Wide Financial Analysis

The following tables present current and prior year data on the government-wide financial statements.

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded liabilities by \$146,977,867 at the close of the fiscal year and are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2009	2008	2009	2008	2009	2008
Assets						
Current assets.....	\$ 42,393,891	\$ 38,388,919	\$ 6,146,173	\$ 5,549,592	\$ 48,540,064	\$ 43,938,511
Noncurrent assets (excluding capital assets).....	19,667,312	21,008,941	-	-	19,667,312	21,008,941
Capital assets (net).....	148,623,744	142,362,677	16,847,446	17,432,731	165,471,190	159,795,408
Total assets.....	210,684,947	201,760,537	22,993,619	22,982,323	233,678,566	224,742,860
Liabilities						
Current liabilities (excluding debt).....	3,544,833	4,931,671	254,493	334,287	3,799,326	5,265,958
Noncurrent liabilities (excluding debt).....	6,335,427	802,199	187,087	36,546	6,522,514	838,745
Current debt.....	16,421,604	16,918,055	956,705	923,209	17,378,309	17,841,264
Noncurrent debt.....	49,390,045	38,373,649	9,610,505	9,817,210	59,000,550	48,190,859
Total liabilities.....	75,691,909	61,025,574	11,008,790	11,111,252	86,700,699	72,136,826
Net Assets						
Invested in capital assets (net of related debt).....	110,302,957	112,318,823	8,426,514	8,360,401	118,729,471	120,679,224
Restricted.....	5,585,833	3,831,606	-	-	5,585,833	3,831,606
Unrestricted.....	19,104,248	24,584,534	3,558,315	3,510,670	22,662,563	28,095,204
Total net assets.....	\$ 134,993,038	\$ 140,734,963	\$ 11,984,829	\$ 11,871,071	\$ 146,977,867	\$ 152,606,034

The largest portion of the Town's net assets (80.8%) reflects its investment in capital assets (e.g., land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles and infrastructure), less any related outstanding debt used to acquire those assets. These capital assets are used 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 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 Town's net assets (3.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (15.4% or \$22,662,563) may be used to meet the Town's ongoing obligations to citizens and creditors. Of this amount, \$19,104,248 may be used to support governmental activities and \$3,558,315 may be used to support business-type activities.

At the end of the current fiscal year, the Town reports positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Changes in Net Assets

For the fiscal year ended June 30, 2009, the Town's total net assets decreased by \$5,628,167, compared to an increase of \$4,083,879 in the prior fiscal year. These amounts are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2009	2008	2009	2008	2009	2008
Revenues						
<i>Program Revenues:</i>						
Charges for services.....	\$ 8,041,640	\$ 7,886,493	\$ 4,770,290	\$ 5,680,042	\$ 12,811,930	\$ 13,566,535
Operating grants and contributions.....	15,814,492	15,851,998	65,970	143,602	15,880,462	15,995,600
Capital grants and contributions.....	1,454,269	570,705	-	-	1,454,269	570,705
<i>General Revenues:</i>						
Real estate and personal property taxes.....	59,692,834	57,214,582	-	-	59,692,834	57,214,582
Motor vehicle and other excise taxes.....	2,779,383	2,956,311	-	-	2,779,383	2,956,311
Penalties and interest on taxes.....	309,393	156,896	-	-	309,393	156,896
Payments in lieu of taxes.....	-	30,000	-	-	-	30,000
Grants and contributions not restricted to specific programs.....	2,214,588	2,403,824	-	-	2,214,588	2,403,824
Unrestricted investment income.....	763,467	1,358,469	-	-	763,467	1,358,469
Total revenues.....	91,070,066	88,429,278	4,836,260	5,823,644	95,906,326	94,252,922
Expenses						
General government.....	7,725,826	6,424,487	-	-	7,725,826	6,424,487
Public safety.....	12,859,942	10,979,897	-	-	12,859,942	10,979,897
Education.....	55,723,009	48,229,521	-	-	55,723,009	48,229,521
Public works.....	9,241,965	8,879,559	-	-	9,241,965	8,879,559
Health and human services.....	1,284,985	1,268,676	-	-	1,284,985	1,268,676
Culture and recreation.....	4,213,101	4,223,893	-	-	4,213,101	4,223,893
Debt service - interest.....	2,263,614	2,326,165	-	-	2,263,614	2,326,165
Water/Sewer.....	-	-	8,222,051	7,836,845	8,222,051	7,836,845
Total expenses.....	93,312,442	82,332,198	8,222,051	7,836,845	101,534,493	90,169,043
Change in net assets before transfers.....	(2,242,376)	6,097,080	(3,385,791)	(2,013,201)	(5,628,167)	4,083,879
Transfers, net.....	(3,499,549)	(3,354,618)	3,499,549	3,354,618	-	-
Change in net assets.....	(5,741,925)	2,742,462	113,758	1,341,417	(5,628,167)	4,083,879
Net assets - beginning of year.....	140,734,963	137,992,501	11,871,071	10,529,654	152,606,034	148,522,155
Net assets - end of year.....	\$ <u>134,993,038</u>	\$ <u>140,734,963</u>	\$ <u>11,984,829</u>	\$ <u>11,871,071</u>	\$ <u>146,977,867</u>	\$ <u>152,606,034</u>

Governmental activities decreased the Town's net assets by \$5,741,925. In the prior year, governmental activities increased the Town's net assets by \$2,742,462. The key elements of this change are:

- First-time recognition of the Town's liability for its net other post-employment benefits obligation (\$5,085,524)
- Decrease in net assets of approximately \$1,402,000 caused by a decrease in the receivable from the Massachusetts School Building Authority (MSBA) for school construction reimbursements resulting from the audit of the McCall Middle School project
- Investment losses in nonmajor governmental funds of approximately \$577,000 resulting from market value losses caused by the economic recession

Business-type activities increased the Town's net assets by \$113,758. In the prior year, business-type activities increased the Town's net assets by \$1,341,417. The key element of this change is a 13.5% decrease in water and sewer consumption during fiscal year 2009.

Fund Financial Statement Analysis

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

Governmental funds

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

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$25,019,231, an increase of \$7,527,217 in comparison with the prior year. Excluding the Hamilton Farm purchase capital projects fund (major fund), \$29,193,730 represents undesignated fund balance. The Hamilton Farm purchase capital projects fund (major fund) deficit totaling \$12,494,830 is anticipated to be funded by the sale of the property in a future fiscal year. The remainder of fund balance is designated or reserved to indicate that it is not available for new spending because it has already been committed to:

- Liquidate contracts and purchase orders of the prior period (\$2,015,004)
- Workers' compensation (\$4,371)
- Perpetual permanent funds (\$2,121,253)
- Other specific purposes (\$3,149,333)
- Fund a portion of the fiscal year 2010 operating budget (\$1,030,370)

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, undesignated fund balance of the general fund totaled \$8,429,836, while total fund balance was \$11,479,581. As a measure of the general fund's liquidity, it may be useful to compare both undesignated fund balance and total fund balance to total general fund expenditures and transfers out. Undesignated fund balance represents 9.8% of total general fund expenditures and transfers out, while total fund balance represents 13.4% of that same amount.

The balance of the Town's general fund increased by \$1,200,581 during fiscal year 2009. The Town recognized a positive budget to actual variance (excluding encumbrances and continuing appropriations) totaling approximately \$4,005,000; and used approximately \$3,483,000 of reserves to fund the fiscal year 2009 budget. In addition, the short-term interest accrual decreased by approximately \$629,000.

Financial highlights of the Town's other major governmental funds are as follows:

The fund balance of the stabilization fund (special revenue) increased by \$634,612 during the current fiscal year. During the year, transfers into the fund totaled \$3,693,509 and transfers out of the fund totaled \$3,334,613. Investment income for the year totaled \$275,716.

The fund balance of the school construction fund (capital projects) increased by \$1,232,851 during the current fiscal year. During the year, expenditures totaled \$5,871,648, transfers into the fund totaled \$20,655 and transfers out of the fund totaled \$164,156. The fund also received bond proceeds totaling \$7,248,000.

The fund balance of the Hamilton Farm purchase capital projects fund (major fund) increased by \$1,591,192 during the current fiscal year. Expenditures totaling \$8,808 were incurred during the fiscal year. The fund also received deposits on the future sale of land totaling \$1,600,000. The fund deficit at the end of the year totaled \$12,494,830 and is anticipated to be funded by the sale of the property in a future fiscal year.

Proprietary funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the water/sewer enterprise fund at the end of the year amounted to \$3,558,315. The water/sewer enterprise fund had an increase in net assets for the year of \$113,758. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

The original general fund budget totaled \$80,287,803. During the year, supplemental appropriations totaling \$475,255 were authorized. The following table summarizes the increase:

Purpose of Increase	Amount	Funding Source
Public works buildings operating budget.....	\$ 207,243	Transfer from building stabilization fund
Financing of fund deficit balances.....	88,012	Undesignated fund balance
Lynch school engineering services.....	75,000	Transfer from building stabilization fund
Muraco school engineering services.....	75,000	Transfer from building stabilization fund
Town Manager consulting services.....	30,000	Undesignated fund balance
Total increase.....	\$ 475,255	

During the year, other financing sources and uses exceeded budgetary estimates and revenues and expenditures and encumbrances and continuing appropriations were less than budgetary estimates, resulting in a positive budget to actual variance totaling approximately \$1,990,000. Encumbrances and continuing appropriations total approximately \$2,015,000 at year-end.

Capital Assets and Debt Administration

Capital assets

The Town's investment in capital assets for its governmental and business-type activities at the end of the fiscal year totaled \$165,471,190 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles and infrastructure. The total increase in the investment in capital assets for the current fiscal year was \$5,675,782 (3.6%).

Major capital asset events that occurred during the current fiscal year include the following:

- McCall school addition construction in progress (approximately \$4,398,000)
- Town Hall construction in progress (approximately \$1,614,000)
- Public safety building construction in progress (approximately \$1,019,000)
- Portable classrooms construction in progress (approximately \$896,000)
- Streets and sidewalk improvements (approximately \$794,000)
- Public works equipment (approximately \$384,000)
- Land improvements (approximately \$372,000)

The following table summarizes the Town's capital assets (net of accumulated depreciation):

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2009	2008	2009	2008	2009	2008
Land.....	\$ 60,081,516	\$ 60,081,516	\$ -	\$ -	\$ 60,081,516	\$ 60,081,516
Land improvements.....	1,891,050	1,741,471	14,283	16,481	1,905,333	1,757,952
Buildings and improvements....	65,750,763	67,505,453	5,237,725	5,382,471	70,988,488	72,887,924
Machinery and equipment.....	2,277,592	2,341,801	758,469	823,221	3,036,061	3,165,022
Vehicles.....	400,009	477,635	103,564	191,772	503,573	669,407
Infrastructure.....	8,657,147	8,631,479	10,733,405	11,018,786	19,390,552	19,650,265
Construction in progress.....	9,565,667	1,583,322	-	-	9,565,667	1,583,322
Total capital assets.....	\$ 148,623,744	\$ 142,362,677	\$ 16,847,446	\$ 17,432,731	\$ 165,471,190	\$ 159,795,408

Additional information on the Town's capital assets can be found in Note 5 on pages 45-46 of this report.

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$63,878,859, which is backed by the full faith and credit of the Town, and is summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2009	2008	2009	2008	2009	2008
General obligation bonds.....	\$ 53,311,649	\$ 41,066,705	\$ 10,094,512	\$ 10,197,195	\$ 63,406,161	\$ 51,263,900
MWRA notes.....	-	-	432,633	499,152	432,633	499,152
MWPAT notes.....	-	-	40,065	44,072	40,065	44,072
Total bonds and notes.....	\$ 53,311,649	\$ 41,066,705	\$ 10,567,210	\$ 10,740,419	\$ 63,878,859	\$ 51,807,124

The Town's total bonded debt increased by \$12,071,735 (23.3%) during the current fiscal year; \$15,688,000 of new debt was issued.

The Town's bond rating from Moody's Investors Services for the May 2009 bond issuance was Aaa.

Additional information on the Town's long-term debt can be found in Note 8 on pages 48-53 of this report.

Economic Factors and Next Year's Budgets and Rates

The Annual Town Meeting held this past spring approved the fiscal year 2010 operating budget of \$81,711,856 which includes appropriations to the Special Article Fund, Building Stabilization Fund and Capital Stabilization Fund. Town Meeting also approved an appropriation of \$25,000 to the Retiree Trust Fund.

The provisions of Proposition 2½ limit the growth of the Town's major source of revenue (property taxes) to an annual increase of 2½ percent plus a factor for new construction, unless the voters at an election approve an increase for operating expenses of debt service for a specific project. It is expected that in fiscal year 2010 the revenue collected from taxes will amount to \$61,751,161. The increase in the fiscal year 2010 tax levy attributable to new growth is expected to amount to \$450,000.

Total fiscal year 2009 general fund revenue on a budgetary basis was \$79,651,457, which includes transfers from other funds. Property taxes accounted for 74%, motor vehicle excise 3% and intergovernmental 10% of total general fund revenue. In fiscal year 2010, state revenue is expected to decrease compared to fiscal year 2009. State reimbursements related to School Construction will also decrease due to the refunding of debt and the completion of the audit. Total fiscal year 2009 general fund expenditures on a budgetary basis amounted to \$79,129,306, which includes transfers to other funds.

The Town continues to have substantial balances in both the building stabilization and capital stabilization funds. At June 30, 2009 the building stabilization fund has a balance of \$7,324,569 and the capital stabilization fund has as balance of \$1,284,834.

Major capital projects currently under construction include the completion of the Town Hall renovation, public safety building, McCall Middle School and Manchester Field.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Comptroller, 71 Mount Vernon Street, Winchester, Massachusetts 01890.

Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2009

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Current assets:			
Cash and cash equivalents.....	\$ 26,376,489	\$ 1,736,524	\$ 28,113,013
Restricted cash and cash equivalents.....	9,724,301	2,350,811	12,075,112
Investments.....	3,143,046	-	3,143,046
Receivables, net of allowance for uncollectible amounts:			
Real estate and personal property taxes.....	539,649	-	539,649
Tax and utility liens.....	330,861	17,410	348,271
Motor vehicle and other excise taxes.....	154,727	-	154,727
User charges.....	-	2,041,428	2,041,428
Special assessments.....	30,495	-	30,495
Departmental and other.....	1,070,400	-	1,070,400
Intergovernmental.....	1,010,320	-	1,010,320
Tax foreclosures.....	13,603	-	13,603
Total current assets.....	42,393,891	6,146,173	48,540,064
Noncurrent assets:			
Receivables, net of allowance for uncollectible amounts:			
Real estate tax deferrals.....	537,226	-	537,226
Special assessments.....	143,522	-	143,522
Intergovernmental.....	4,986,564	-	4,986,564
Assets held for resale.....	14,000,000	-	14,000,000
Capital assets not being depreciated.....	69,647,183	-	69,647,183
Capital assets, net of accumulated depreciation.....	78,976,561	16,847,446	95,824,007
Total noncurrent assets.....	168,291,056	16,847,446	185,138,502
Total assets.....	210,684,947	22,993,619	233,678,566
LIABILITIES			
Current liabilities:			
Warrants payable.....	1,356,122	30,443	1,386,565
Accrued payroll.....	549,350	26,790	576,140
Tax refunds payable.....	272,598	-	272,598
Other liabilities.....	247,772	-	247,772
Accrued interest.....	835,630	193,349	1,028,979
Workers' compensation claims.....	149,597	-	149,597
Compensated absences.....	133,764	3,911	137,675
Short-term notes payable.....	12,500,000	-	12,500,000
Long-term bonds and notes payable.....	3,921,604	956,705	4,878,309
Total current liabilities.....	19,966,437	1,211,198	21,177,635
Noncurrent liabilities:			
Workers' compensation claims.....	46,032	-	46,032
Net OPEB obligation.....	5,085,524	151,885	5,237,409
Compensated absences.....	1,203,871	35,202	1,239,073
Long-term bonds and notes payable.....	49,390,045	9,610,505	59,000,550
Total noncurrent liabilities.....	55,725,472	9,797,592	65,523,064
Total liabilities.....	75,691,909	11,008,790	86,700,699
NET ASSETS			
Invested in capital assets, net of related debt.....	110,302,957	8,426,514	118,729,471
Restricted for:			
Permanent funds:			
Expendable.....	315,247	-	315,247
Nonexpendable.....	2,121,253	-	2,121,253
Other specific purposes.....	3,149,333	-	3,149,333
Unrestricted.....	19,104,248	3,558,315	22,662,563
Total net assets.....	\$ 134,993,038	\$ 11,984,829	\$ 146,977,867

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government.....	\$ 7,725,826	\$ 399,824	\$ 362,608	\$ 2,400,000	\$ (4,563,394)
Public safety.....	12,859,942	2,131,146	342,982	-	(10,385,814)
Education.....	55,723,009	2,242,534	14,813,541	(1,402,026)	(40,068,960)
Public works.....	9,241,965	1,668,199	(367,980)	456,295	(7,485,451)
Health and human services.....	1,284,985	124,173	170,287	-	(990,525)
Culture and recreation.....	4,213,101	1,475,764	(11,301)	-	(2,748,638)
Debt service - interest.....	2,263,614	-	504,355	-	(1,759,259)
Total governmental activities.....	<u>93,312,442</u>	<u>8,041,640</u>	<u>15,814,492</u>	<u>1,454,269</u>	<u>(68,002,041)</u>
Business-type activities:					
Water/Sewer.....	<u>8,222,051</u>	<u>4,770,290</u>	<u>65,970</u>	<u>-</u>	<u>(3,385,791)</u>
Total primary government.....	<u>\$ 101,534,493</u>	<u>\$ 12,811,930</u>	<u>\$ 15,880,462</u>	<u>\$ 1,454,269</u>	<u>\$ (71,387,832)</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets:			
Net (expense)/revenue (from previous page).....	\$ (68,002,041)	\$ (3,385,791)	\$ (71,387,832)
<i>General revenues:</i>			
Real estate and personal property taxes.....	59,692,834	-	59,692,834
Motor vehicle and other excise taxes.....	2,779,383	-	2,779,383
Penalties and interest on taxes.....	309,393	-	309,393
Grants and contributions not restricted to specific programs.....	2,214,588	-	2,214,588
Unrestricted investment income.....	763,467	-	763,467
<i>Transfers, net</i>	(3,499,549)	3,499,549	-
Total general revenues and transfers.....	62,260,116	3,499,549	65,759,665
Change in net assets.....	(5,741,925)	113,758	(5,628,167)
Net assets - beginning of year.....	140,734,963	11,871,071	152,606,034
Net assets - end of year.....	\$ 134,993,038	\$ 11,984,829	\$ 146,977,867

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2009

ASSETS	<u>General</u>	<u>Stabilization</u>	<u>School Construction</u>
Cash and cash equivalents.....	\$ 12,628,472	\$ 9,467,006	\$ -
Investments.....	-	205,142	-
Receivables, net of allowance for uncollectible amounts:			
Real estate and personal property taxes.....	539,649	-	-
Real estate tax deferrals.....	537,226	-	-
Tax liens.....	330,861	-	-
Motor vehicle and other excise taxes.....	154,727	-	-
Special assessments.....	174,017	-	-
Departmental and other.....	189,566	-	-
Intergovernmental.....	5,539,203	-	-
Tax foreclosures.....	13,603	-	-
Restricted assets:			
Cash and cash equivalents.....	-	-	4,073,333
TOTAL ASSETS.....	<u>\$ 20,107,324</u>	<u>\$ 9,672,148</u>	<u>\$ 4,073,333</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Warrants payable.....	\$ 370,752	\$ -	\$ 527,626
Accrued payroll.....	510,575	-	-
Tax refunds payable.....	272,598	-	-
Other liabilities.....	238,522	-	-
Deferred revenue.....	6,964,667	-	-
Accrued short-term interest.....	75,000	-	-
Workers' compensation claims.....	195,629	-	-
Short-term notes payable.....	-	-	-
TOTAL LIABILITIES.....	<u>8,627,743</u>	<u>-</u>	<u>527,626</u>
 FUND BALANCES:			
Reserved for:			
Encumbrances and continuing appropriations.....	2,015,004	-	-
Workers' compensation.....	4,371	-	-
Perpetual permanent funds.....	-	-	-
Other specific purposes.....	-	-	-
Unreserved:			
Designated for subsequent year's expenditures.....	1,030,370	-	-
Undesignated, reported in:			
General fund.....	8,429,836	-	-
Special revenue funds.....	-	9,672,148	-
Capital projects funds.....	-	-	3,545,707
Permanent funds.....	-	-	-
TOTAL FUND BALANCES.....	<u>11,479,581</u>	<u>9,672,148</u>	<u>3,545,707</u>
TOTAL LIABILITIES AND FUND BALANCES.....	<u>\$ 20,107,324</u>	<u>\$ 9,672,148</u>	<u>\$ 4,073,333</u>

See notes to basic financial statements.

Hamilton Farm Purchase	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 4,281,011	\$ 26,376,489
-	2,937,904	3,143,046
-	-	539,649
-	-	537,226
-	-	330,861
-	-	154,727
-	-	174,017
800,000	80,834	1,070,400
-	457,681	5,996,884
-	-	13,603
8,170	5,642,798	9,724,301
<u>\$ 808,170</u>	<u>\$ 13,400,228</u>	<u>\$ 48,061,203</u>
\$ 3,000	\$ 454,744	\$ 1,356,122
-	38,775	549,350
-	-	272,598
-	9,250	247,772
800,000	80,834	7,845,501
-	-	75,000
-	-	195,629
12,500,000	-	12,500,000
13,303,000	583,603	23,041,972
-	-	2,015,004
-	-	4,371
-	2,121,253	2,121,253
-	3,149,333	3,149,333
-	-	1,030,370
-	-	8,429,836
-	2,128,634	11,800,782
(12,494,830)	5,102,158	(3,846,965)
-	315,247	315,247
<u>(12,494,830)</u>	<u>12,816,625</u>	<u>25,019,231</u>
<u>\$ 808,170</u>	<u>\$ 13,400,228</u>	<u>\$ 48,061,203</u>

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	General	Stabilization	School Construction
REVENUES			
Real estate and personal property taxes.....	\$ 59,705,370	\$ -	\$ -
Motor vehicle and other excise taxes.....	2,782,751	-	-
Tax liens.....	199,428	-	-
Charges for services.....	-	-	-
Trash disposal.....	1,402,557	-	-
Intergovernmental.....	15,203,684	-	-
Special assessments.....	73,351	-	-
Penalties and interest on taxes.....	309,393	-	-
Licenses and permits.....	1,013,676	-	-
Fines and forfeitures.....	56,878	-	-
Departmental.....	1,116,164	-	-
Contributions.....	-	-	-
Investment income (loss).....	487,751	275,716	-
TOTAL REVENUES.....	82,351,003	275,716	-
EXPENDITURES			
Current:			
General government.....	5,953,820	-	-
Public safety.....	7,771,305	-	-
Education.....	31,686,914	-	5,871,648
Public works.....	6,685,052	-	-
Health and human services.....	438,732	-	-
Culture and recreation.....	1,565,404	-	-
Pension benefits.....	10,077,688	-	-
Employee benefits.....	8,175,056	-	-
Property and liability insurance.....	302,192	-	-
State and county charges.....	450,095	-	-
Debt service:			
Principal.....	2,729,790	-	-
Interest.....	2,098,838	-	-
TOTAL EXPENDITURES.....	77,934,886	-	5,871,648
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	4,416,117	275,716	(5,871,648)
OTHER FINANCING SOURCES (USES)			
Transfers in.....	4,336,537	3,693,509	20,655
Proceeds of bonds and notes.....	-	-	7,248,000
Premium from issuance of bonds and notes.....	133,997	-	-
Deposit on sale of land.....	-	-	-
Transfers out.....	<u>(7,686,070)</u>	<u>(3,334,613)</u>	<u>(164,156)</u>
TOTAL OTHER FINANCING SOURCES (USES).....	(3,215,536)	358,896	7,104,499
NET CHANGE IN FUND BALANCES.....	1,200,581	634,612	1,232,851
FUND BALANCES AT BEGINNING OF YEAR.....	10,279,000	9,037,536	2,312,856
FUND BALANCES AT END OF YEAR.....	\$ 11,479,581	\$ 9,672,148	\$ 3,545,707

See notes to basic financial statements.

Hamilton Farm Purchase	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 59,705,370
-	-	2,782,751
-	-	199,428
-	1,582,215	1,582,215
-	-	1,402,557
-	3,517,890	18,721,574
-	-	73,351
-	-	309,393
-	88,048	1,101,724
-	-	56,878
-	2,858,379	3,974,543
-	822,732	822,732
-	(576,808)	186,659
-	8,292,456	90,919,175
8,808	2,330,027	8,292,655
-	2,098,813	9,870,118
-	4,659,410	42,217,972
-	1,231,769	7,916,821
-	230,910	669,642
-	1,650,272	3,215,676
-	-	10,077,688
-	547,863	8,722,919
-	-	302,192
-	-	450,095
-	-	2,729,790
-	-	2,098,838
8,808	12,749,064	96,564,406
(8,808)	(4,456,608)	(5,645,231)
-	859,140	8,909,841
-	7,690,000	14,938,000
-	-	133,997
1,600,000	-	1,600,000
-	(1,224,551)	(12,409,390)
1,600,000	7,324,589	13,172,448
1,591,192	2,867,981	7,527,217
(14,086,022)	9,948,644	17,492,014
\$ (12,494,830)	\$ 12,816,625	\$ 25,019,231

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS

JUNE 30, 2009

Total governmental fund balances (page 19).....	\$	25,019,231
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....		148,623,744
Assets held for resale in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....		14,000,000
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.....		7,845,501
In the statement of net assets, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.....		(760,630)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds and notes payable, net of unamortized premiums and deferred losses on refundings.....		(53,311,649)
Net OPEB obligation.....		(5,085,524)
Compensated absences.....		<u>(1,337,635)</u>
Net assets of governmental activities (page 15).....	\$	<u><u>134,993,038</u></u>

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds (page 21)..... \$ 7,527,217

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 reported as depreciation expense. These amounts represent the related activity of the current period.

Capital outlays.....	10,030,683
Depreciation.....	(3,748,044)

In the statement of activities, only the *gain or loss* on the sale and/or disposal of capital assets is reported, whereas in the governmental funds the entire proceeds of the sale are reported as financial resources. As a result, the change in net assets differs from the change in fund balance by the cost of the capital assets sold..... (21,572)

Revenues in the statement of activities that do not provide current financial resources are fully deferred in the statement of revenues, expenditures and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue..... (1,583,106)

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts represent the related activity of the current period.

Bond proceeds.....	(14,938,000)
Bond maturities.....	2,729,790
Amortization of deferred losses on refundings.....	(36,734)

In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable..... (128,042)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds.

These amounts represent the net changes:

Net OPEB obligation.....	(5,085,524)
Compensated absences.....	(488,593)

Changes in net assets of governmental activities (page 17)..... \$ (5,741,925)

See notes to basic financial statements.

**PROPRIETARY FUND
STATEMENT OF NET ASSETS**

JUNE 30, 2009

		Business-Type Activities Enterprise Fund
		Water/Sewer
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$	1,736,524
Restricted cash and cash equivalents.....		2,350,811
Receivables, net of allowance for uncollectible amounts:		
User charges.....		2,041,428
Utility liens.....		17,410
Total current assets.....		6,146,173
Noncurrent assets:		
Capital assets, net of accumulated depreciation.....		16,847,446
Total assets.....		22,993,619
LIABILITIES		
Current liabilities:		
Warrants payable.....		30,443
Accrued payroll.....		26,790
Accrued interest.....		193,349
Compensated absences.....		3,911
Long-term bonds and notes payable.....		956,705
Total current liabilities.....		1,211,198
Noncurrent liabilities:		
Net OPEB obligation.....		151,885
Compensated absences.....		35,202
Long-term bonds and notes payable.....		9,610,505
Total noncurrent liabilities.....		9,797,592
Total liabilities.....		11,008,790
NET ASSETS		
Invested in capital assets, net of related debt.....		8,426,514
Unrestricted.....		3,558,315
Total net assets.....	\$	11,984,829

See notes to basic financial statements.

PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

		Business-Type Activities Enterprise Fund
		<u>Water/Sewer</u>
OPERATING REVENUES		
Charges for services.....	\$	4,740,871
Penalties and interest.....		29,419
		<u>4,770,290</u>
OPERATING EXPENSES		
Cost of service and administration.....		2,205,770
MWRA assessment.....		4,027,647
Depreciation.....		585,285
Pension benefits.....		322,574
OPEB benefits.....		151,885
Employee benefits.....		499,881
		<u>7,793,042</u>
OPERATING (LOSS).....		<u>(3,022,752)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income.....		65,970
Interest expense.....		(429,009)
		<u>(363,039)</u>
(LOSS) BEFORE TRANSFERS.....		<u>(3,385,791)</u>
TRANSFERS		
Transfers in.....		<u>3,499,549</u>
CHANGE IN NET ASSETS.....		113,758
NET ASSETS AT BEGINNING OF YEAR.....		<u>11,871,071</u>
NET ASSETS AT END OF YEAR.....	\$	<u><u>11,984,829</u></u>

See notes to basic financial statements.

**PROPRIETARY FUND
STATEMENT OF CASH FLOWS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Business-Type Activities Enterprise Fund</u>
	<u>Water/Sewer</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users.....	\$ 4,637,024
Payments to vendors.....	(5,699,154)
Payments to employees.....	<u>(1,422,346)</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>(2,484,476)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in.....	<u>3,499,549</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from the issuance of bonds and notes.....	750,000
Principal payments on bonds and notes.....	(1,020,736)
Interest expense.....	<u>(346,992)</u>
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	<u>(617,728)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income.....	<u>65,970</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	463,315
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	
(Includes \$1,624,017 reported as restricted).....	<u>3,624,020</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	
(Includes \$2,350,811 reported as restricted).....	<u>\$ 4,087,335</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES	
Operating income (loss).....	\$ <u>(3,022,752)</u>
Adjustments to reconcile operating income (loss) to net cash from operating activities:	
Depreciation.....	585,285
Changes in assets and liabilities:	
Utility liens.....	(7,952)
User charges.....	(125,314)
Warrants payable.....	(18,129)
Accrued payroll.....	(46,006)
Net OPEB obligation.....	151,885
Accrued compensated absences.....	<u>(1,493)</u>
Total adjustments.....	<u>538,276</u>
NET CASH FROM OPERATING ACTIVITIES.....	<u>\$ (2,484,476)</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2009

ASSETS	Pension Trust Fund (As of 12/31/08)	Private Purpose Trust Funds	Agency Funds
Cash and cash equivalents.....	\$ 9,970,533	\$ 22,144	\$ 777,714
Investments.....	54,306,379	401,192	-
Interest and dividends.....	11,717	-	-
Receivables, net of allowance for uncollectible amounts:			
Intergovernmental.....	77,130	-	-
Total assets.....	64,365,759	423,336	777,714
 LIABILITIES			
Warrants payable.....	60	-	8,900
Other liabilities.....	-	-	433,050
Liabilities due depositors.....	-	-	335,764
Total liabilities.....	60	-	777,714
 NET ASSETS			
Held in trust for pension benefits and other purposes.....	\$ 64,365,699	\$ 423,336	\$ -

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Pension Trust Fund (As of 12/31/08)</u>	<u>Private Purpose Trust Funds</u>
ADDITIONS		
Contributions:		
Employer.....	\$ 3,279,503	\$ -
Employee.....	1,561,338	-
Private donations.....	-	775
	<u>4,840,841</u>	<u>775</u>
Net investment income:		
Net appreciation/(depreciation) in fair value of investments.....	(25,296,198)	(114,632)
Interest.....	2,176,182	14,421
	<u>(23,120,016)</u>	<u>(100,211)</u>
Less investment expense.....	(444,371)	-
	<u>(23,564,387)</u>	<u>(100,211)</u>
Intergovernmental.....	175,988	-
Transfers from other systems.....	423,903	-
	<u>(18,123,655)</u>	<u>(99,436)</u>
DEDUCTIONS		
Administration.....	89,891	-
Retirement benefits and refunds.....	5,583,382	-
Transfers to other systems.....	389,672	-
Scholarships awarded.....	-	7,204
	<u>6,062,945</u>	<u>7,204</u>
	<u>(24,186,600)</u>	<u>(106,640)</u>
NET ASSETS AT BEGINNING OF YEAR.....	<u>88,552,299</u>	<u>529,976</u>
NET ASSETS AT END OF YEAR.....	<u>\$ 64,365,699</u>	<u>\$ 423,336</u>

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. General**

The basic financial statements 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 standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

B. Reporting Entity

The Town of Winchester, Massachusetts (Town) is a municipal corporation that is governed by an elected Board of Selectmen.

For financial reporting purposes, the basic financial statements include all funds, organizations, agencies, boards, commissions and institutions that are not legally separate from the Town.

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/or significance of their relationship with the Town are such that exclusion would cause the Town's basic financial statements to be misleading or incomplete.

The Town has included the Winchester Contributory Retirement System (System) as a component unit (blended) in the reporting entity because of the significance of its operational and financial relationship with the Town. Blended component units are entities that are legally separate from the Town, but are so related that they are, in substance, the same as the Town or entities providing services entirely or almost entirely for the benefit of the Town.

Blended Component Unit

The System was established to provide retirement benefits to Town employees, the Winchester Housing Authority's employees, and their respective beneficiaries. The System is governed by a five-member board comprised of the Town Comptroller (ex-officio), two members elected by the System's participants, a fourth member appointed by the Board of Selectmen and a fifth member appointed by the Retirement Board's members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary funds financial statements.

The System does not issue a separate audited financial statement. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 71 Mount Vernon Street, Winchester, Massachusetts 01890.

Joint Ventures

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

The Town participates in one joint venture with other municipalities to pool resources and share the costs, risks and rewards of providing goods and services to venture participants directly, or for the benefit of the general public or specified recipients.

Northeast Metropolitan Regional Vocational School District

The Town is indirectly liable for the Northeast Metropolitan Regional Vocational School District's (District) debt and other expenditures and is assessed annually for its share of operating and capital costs. The Town's fiscal year 2009 assessment totaled approximately \$80,000. Separate financial statements may be obtained by writing to the Treasurer of the District at 100 Hemlock Road, Wakefield, Massachusetts 01880.

C. Government-Wide and Fund Financial StatementsGovernment-Wide Financial Statements

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

Fund Financial Statements

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

Fiduciary funds are reported by fund type.

D. Measurement Focus, Basis of Accounting and Basis of PresentationGovernment-Wide and Fund Financial Statements

The government-wide and enterprise fund financial statements apply all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal 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.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a specific function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a specific function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

Except for charges between the general fund and enterprise fund, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental funds financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60-days after the end of the fiscal year. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

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 following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *stabilization fund* is a special revenue fund used to account for the accumulation of resources to provide general and/or capital reserves. Use of this fund is subject to Town Meeting approval.

The *school construction fund* is a capital projects fund used to account for financial resources to expand and upgrade school facilities.

The *Hamilton Farm purchase fund* is a capital projects fund used to account for financial resources to purchase and subsequently sell the Hamilton Farm property (see Note 14).

The nonmajor governmental funds consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the *nonmajor 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 capital projects funds or permanent 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 funds).

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

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary fund is reported:

The *water and sewer enterprise fund* is used to account for the water and sewer activities.

Fiduciary funds 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's programs.

The following fiduciary fund types are reported:

The *pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefits individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a custodial capacity. Such assets consist of bid deposits and payroll withholdings. Agency funds do not present the results of operations or have a measurement focus.

E. Deposits and Investments

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.

Investments are carried at fair value. Fair value is based on quotations from a national securities exchange except for pooled funds, alternative investments and real estate, for which fair value is determined as follows:

Pooled Funds

The fair value of shares in managed investment pools is based on unit value reported by the funds.

Real Estate

The fair value of real estate funds is based on independent third-party appraisals. The investment managers of the funds are responsible for the reported value of those investments. However, the structure, risk profile, return potential and marketability of those investments differ from traditional equity and fixed income investments. Determination of the value of these investments involves subjective judgment because the actual market value can be determined only by negotiation between the parties to a sales transaction. As a result, the estimated values may differ significantly from the values that would have been used had a ready market for the real estate existed, and the differences could be material.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue 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.

Real Estate Taxes, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date.

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

Motor Vehicle Excise Taxes

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles to the Town. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

User Charges (Water and Sewer)

User charges are levied quarterly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and sewer liens are processed approximately once every year and are included as a lien on the property owner's tax bill. Water and sewer charges and liens are recorded as receivables in the fiscal year of the levy.

Special Assessments

Special assessments for sidewalks and streets betterments are levied annually based on various sidewalks and streets projects. Residents have the option of paying their respective share of the betterment up front or over a period of up to 20 years and are subject to penalties and interest if they are not paid by the respective due dates. Special assessments are recorded as receivables when the project is complete.

Departmental and Other

Departmental and other receivables consist primarily of Hamilton Farm developer fees, ambulance services and police details and are recorded as receivables in the fiscal year accrued.

Intergovernmental

Various state and federal operating and capital grants 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.

G. Allowance for Uncollectible Amounts

The allowance for uncollectible amounts is estimated based on historical trends and specific account analysis for the following accounts receivable:

- Personal property taxes
- Motor vehicle and other excise taxes
- Departmental and other

The following types of accounts receivable are secured via the lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible amounts is not reported.

- Real estate taxes and tax liens
- User charges (water and sewer, including liens)
- Special assessments

Intergovernmental receivables are considered 100% collectible.

H. Inventories

Government-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements and therefore are not reported.

I. Restricted Assets

Government-Wide and Fund Financial Statements

Assets are reported as restricted when limitations on their use change the nature of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

J. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which consist of land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activities column of the government-wide financial statements and the proprietary fund 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 at the date of donation.

All purchases 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 capital assets are as follows:

<u>Capital Asset Type</u>	<u>Useful Life (in years)</u>
Land improvements.....	20-30
Buildings and improvements.....	7-50
Machinery and equipment.....	5-30
Vehicles.....	8
Infrastructure.....	20-60

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.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

K. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net assets as "internal balances".

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are not eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

L. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds.

Government-Wide Financial Statements

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

Transfers between and within funds are not eliminated from the individual fund statements and are reported as transfers in and transfers out.

M. Deferred Revenue

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

N. Net Assets and Fund Equity

Government-Wide Financial Statements (Net Assets)

Net assets are reported as restricted when amounts are restricted by outside parties for a specific future use.

Net assets have been "restricted" for the following:

"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 specific purposes" represents restrictions placed on assets from outside parties.

Fund Financial Statements (Fund Balances)

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balance represent tentative management plans that are subject to change.

Fund balances have been "reserved for" the following:

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

"Workers' compensation" represents amounts accumulated for self-insured workers' compensation activities.

"Perpetual permanent funds" represents amounts held in trust for which only investment earnings may be expended.

"Other specific purposes" represents restrictions placed on assets from outside parties.

Fund balances have been "designated for" the following:

"Subsequent year's expenditures" represents amounts appropriated for the fiscal year 2010 operating budget.

O. Long-term Debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statements of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Funds Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources when the debt is issued. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

P. Investment Income

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

Investment income from the proprietary fund is retained in the proprietary fund.

Q. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Funds Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon employee retirements and resignations.

*R. Post Retirement Benefits*Government-Wide and Fund Financial Statements

In addition to providing pension benefits, and as more fully described in Note 13, the Town provides health and life insurance coverage for current and future retirees and their spouses.

*S. Use of Estimates*Government-Wide and Fund Financial Statements

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 the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

*T. Total Column*Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column presented on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**A. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting vote. The Finance Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote. Increases to the original budget subsequent to the approval of the annual budget require Special Town Meeting approval.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year.

Generally, expenditures may not exceed the level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the Town is statutorily required to pay debt service, regardless of whether such amounts are appropriated.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2009 approved budget for the general fund authorized \$80,287,803 in appropriations. During fiscal year 2009, supplemental appropriations totaling \$475,255 were authorized.

The Comptroller's office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

B. Fund Deficits

At June 30, 2009, the following fund deficits exist:

Fund	Amount	Funding Source
Hamilton Farm (major fund).....	\$ 12,494,830 *	Proceeds from sale of land or issuance of long-term debt
Drug Free Schools.....	38,296	Federal grant
911 Support.....	20,444	State grant
SPED Professional Development.....	14,049	Federal grant

* See Note 14

C. Excess of Expenditures Over Appropriations

During the fiscal year ended June 30, 2009, expenditures and encumbrances and continuing appropriations exceeded appropriations for bank charges and personal services in the Comptroller, Police and Council on Aging departments. These over-expenditures will be funded by taxes and/or available funds during fiscal year 2010.

NOTE 3 - DEPOSITS AND INVESTMENTS*Town (excluding the Pension Trust Fund)*

The municipal finance laws of the Commonwealth authorize the Town to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. treasury or agency repurchase agreements with maturities of not more than 90 days; money market accounts; and the state treasurer's investment pool - the Massachusetts Municipal Depository Trust (MMDT).

The MMDT meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee. The reported value of the pool is the same as the fair value of pool shares.

A cash and investment pool is maintained that is available for use by all funds with unrestricted cash and investments. The deposits and investments of the permanent funds, private purpose trust funds and the pension trust fund are held separately from other Town funds.

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits may not be recovered. The Town does not have a policy for custodial credit risk of deposits. As of June 30, 2009, \$1,921,014 of the Town's bank balance of \$3,234,846 was uninsured and uncollateralized.

Investments Summary

The Town's investments at June 30, 2009 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
<u>Debt Securities:</u>					
U.S. Treasuries.....	\$ 1,163,590	\$ -	\$ 770,000	\$ 337,371	\$ 56,219
U.S. Agencies.....	205,142	-	-	105,048	100,094
Corporate bonds.....	124,862	-	124,862	-	-
Money market mutual funds.....	2,801,621	2,801,621	-	-	-
External investment pools.....	16,139,675	16,139,675	-	-	-
Total debt securities.....	20,434,890	\$ 18,941,296	\$ 894,862	\$ 442,419	\$ 156,313
<u>Other Investments:</u>					
Equity securities.....	1,871,219				
Equity mutual funds.....	179,425				
Total other investments.....	2,050,644				
Total investments.....	\$ 22,485,534				

Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Town has a policy that the fixed income portion of the portfolio shall have an average maturity of not more than 10 years.

Investments - Custodial Credit Risk

Custodial credit risk for investments 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. The Town does not have a policy for custodial credit risk of investments. As of June 30, 2009, the Town was not exposed to custodial credit risk.

Investments - Credit Risk of Debt Securities

Credit risk for investments is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Town has a policy that corporate debt obligations shall be rated no less than "A" by at least one nationally recognized bond rating service. As of June 30, 2009, the credit quality ratings of the Town's investment in debt securities are as follows:

Investment Type	Fair Value	Quality Ratings *	
		AA	Unrated
Corporate bonds.....	\$ 124,862	\$ 124,862	\$ -
Money market mutual funds.....	2,801,621	-	2,801,621
External investment pools.....	16,139,675	-	16,139,675
Total.....	\$ 19,066,158	\$ 124,862	\$ 18,941,296

* Per the rating scale of Standard and Poor's (a national credit rating organization)

Deposits and Investments - Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or a deposit. The Town does not have a policy for foreign currency risk. As of June 30, 2009, the Town was not exposed to foreign currency risk.

Investments - Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town has a policy that no individual holding of the fund should exceed 5 percent of the total fair market value of the fund. As of June 30, 2009, the Town was not exposed to concentration of credit risk.

Pension Trust Fund (The System)

The System has expanded investment powers, including the ability to invest in equity securities, corporate bonds and other specified investments.

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the System's deposits may not be recovered. The System does not have a policy for custodial credit risk of deposits. As of December 31, 2008, the System was not exposed to custodial credit risk.

Investments Summary

The System's investments at December 31, 2008 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years) Less Than 1</u>
<u>Debt Securities:</u>		
Money market mutual funds.....	\$ 9,938,439	\$ 9,938,439
Mutual bond funds.....	11,190,300	11,190,300
External investment pools.....	16,961,531	16,961,531
Total debt securities.....	<u>38,090,270</u>	<u>\$ 38,090,270</u>
<u>Other Investments:</u>		
Equity securities.....	2,742,536	
Equity mutual funds.....	20,920,528	
Real estate investments.....	<u>2,491,484</u>	
Total other investments.....	<u>26,154,548</u>	
Total investments.....	<u>\$ 64,244,818</u>	

Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The System does not have a policy for interest rate risk of debt securities.

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System does not have a policy for custodial credit risk of investments. As of December 31, 2008, \$1,558,874 of the System's investments of \$64,244,818 was uninsured, not registered in the name of the System and exposed to custodial credit risk as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Held by Counterparty's Trust or Agent</u>
Real estate investments.....	\$ 1,558,874	\$ 1,558,874

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The System does not have a policy for credit risk of debt securities. As of December 31, 2008, the credit quality ratings of the System's debt securities are as follows:

<u>Quality Ratings*</u>	<u>Money Market Mutual Funds</u>	<u>Mutual Bond Funds</u>	<u>External Investment Pools</u>	<u>Total</u>
AAA.....	\$ -	\$ 7,160,748	\$ -	\$ 7,160,748
AA.....	-	725,970	-	725,970
AA+.....	-	4,494	-	4,494
AA-.....	-	70,750	-	70,750
A.....	-	555,097	-	555,097
A+.....	-	228,244	-	228,244
A-.....	-	261,919	-	261,919
BBB.....	-	563,336	-	563,336
BBB+.....	-	322,435	-	322,435
BBB-.....	-	204,022	-	204,022
BB+.....	-	2,804	-	2,804
BB-.....	-	8,322	-	8,322
CCC.....	-	2,884	-	2,884
CCC+.....	-	4,553	-	4,553
Unrated.....	9,938,439	1,074,724	16,961,531	27,974,694
Total.....	\$ 9,938,439	\$ 11,190,300	\$ 16,961,531	\$ 38,090,270

* Per the rating scale of Standard and Poor's (a national credit rating organization)

Deposits and Investments – Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or a deposit. The System does not have a policy for foreign currency risk. As of December 31, 2008, the System's exposure to foreign currency risk is as follows:

<u>Investment Type</u>	<u>U.S. Dollar Balances</u>	<u>Currency</u>
Equity mutual funds.....	\$ 4,775,283	Euro
Equity mutual funds.....	3,267,556	Japanese Yen
Equity mutual funds.....	2,508,194	British Pound
Equity mutual funds.....	931,807	Hong Kong Dollar
Equity mutual funds.....	876,264	Swiss Franc
Equity mutual funds.....	737,275	Australian Dollar
Equity mutual funds.....	637,288	Korean Won
Equity mutual funds.....	314,971	South African Rand
Equity mutual funds.....	249,929	Taiwanese Dollar
Equity mutual funds.....	188,967	Norwegian Krone
Equity mutual funds.....	174,038	Danish Krone
Equity mutual funds.....	166,665	Brazilian Real
Equity mutual funds.....	119,943	Turkish Lira
Equity mutual funds.....	114,437	Singapore Dollar
Equity mutual funds.....	94,527	Egyptian Pound
Equity mutual funds.....	66,527	Swedish Krone
Equity mutual funds.....	64,836	Indian Rupee
Equity mutual funds.....	63,207	Czech Krone
Equity mutual funds.....	58,435	Mexican Peso
Equity mutual funds.....	56,897	Thailand Baht
Equity mutual funds.....	55,737	Israeli Shekel
Equity mutual funds.....	46,675	Hungarian Forint
Equity mutual funds.....	30,073	Chilean Peso
Equity mutual funds.....	29,841	Indonesian Rupiah
Equity mutual funds.....	22,641	Polish Zloty
Equity mutual funds.....	19,271	Canadian Dollar
Equity mutual funds.....	18,920	Colombian Peso
Equity mutual funds.....	9,632	New Zealand Dollar
Equity mutual funds.....	6,705	Pakistan Rupee
Equity mutual funds.....	5,932	Sri Lankan Rupee
Equity mutual funds.....	9	Malaysian Ringgit
Total.....	<u>\$ 15,712,482</u>	

Investments – Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of System's investment in a single issuer. The System does not have a policy for concentration of credit risk. As of December 31, 2008, the System was not exposed to concentration of credit risk.

NOTE 4 - ACCOUNTS RECEIVABLE

At June 30, 2009, receivables for the individual major governmental funds and nonmajor governmental and fiduciary funds in the aggregate, including the applicable allowances for uncollectible amounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 539,649	\$ -	\$ 539,649
Real estate tax deferrals.....	537,226	-	537,226
Tax liens.....	330,861	-	330,861
Motor vehicle and other excise taxes.....	300,816	(146,089)	154,727
Special assessments.....	174,017	-	174,017
Departmental and other.....	1,171,941	(101,541)	1,070,400
Intergovernmental.....	6,074,014	-	6,074,014
	<u>\$ 9,128,524</u>	<u>\$ (247,630)</u>	<u>\$ 8,880,894</u>

At June 30, 2009, receivables for the water/sewer enterprise fund consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
User charges.....	2,041,428	-	2,041,428
Utility liens.....	17,410	-	17,410
	<u>\$ 2,058,838</u>	<u>\$ -</u>	<u>\$ 2,058,838</u>

Governmental funds report *deferred revenue* in connection with receivables (and tax foreclosures) for revenues that are not considered to be available to liquidate liabilities of the current period. The following identifies the various components of *deferred revenue* reported in the governmental funds:

	General Fund	Other Governmental Funds	Total
<u>Receivable type:</u>			
Real estate and personal property taxes.....	\$ 138,382	\$ -	\$ 138,382
Real estate tax deferrals.....	537,226	-	537,226
Tax and utility liens.....	330,861	-	330,861
Motor vehicle and other excise taxes.....	154,727	-	154,727
Special assessments.....	174,017	-	174,017
Departmental and other.....	189,566	880,834 (a)	1,070,400
Intergovernmental (state school construction).....	5,439,888	-	5,439,888
Total.....	<u>\$ 6,964,667</u>	<u>\$ 880,834</u>	<u>\$ 7,845,501</u>

(a) Of this amount, \$800,000 is reported in the Hamilton Farm major fund and \$80,834 is reported in the nonmajor governmental funds

The Commonwealth has approved school construction assistance to the Town. The assistance program, which is administered by the MSBA, provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2009, \$1,038,777 of such assistance was received. Approximately \$8,454,000 will be received in future fiscal years. Of this amount, approximately \$3,014,000 represents reimbursement of long-term interest costs, and approximately \$5,440,000 represents reimbursement of approved construction costs. Accordingly, a \$5,439,888 intergovernmental receivable and corresponding deferred revenue have been reported in the governmental funds financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 60,081,516	\$ -	\$ -	\$ 60,081,516
Construction in progress.....	1,583,322	8,208,941	(226,596)	9,565,667
Total capital assets not being depreciated.....	61,664,838	8,208,941	(226,596)	69,647,183
<u>Capital assets being depreciated:</u>				
Land improvements.....	4,654,368	372,410	-	5,026,778
Buildings and improvements.....	95,512,348	295,966	-	95,808,314
Machinery and equipment.....	10,079,471	481,059	-	10,560,530
Vehicles.....	3,730,626	104,996	(88,257)	3,747,365
Infrastructure.....	28,382,386	793,907	-	29,176,293
Total capital assets being depreciated.....	142,359,199	2,048,338	(88,257)	144,319,280
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(2,912,897)	(222,831)	-	(3,135,728)
Buildings and improvements.....	(28,006,895)	(2,050,656)	-	(30,057,551)
Machinery and equipment.....	(7,737,670)	(545,268)	-	(8,282,938)
Vehicles.....	(3,252,991)	(161,050)	66,685	(3,347,356)
Infrastructure.....	(19,750,907)	(768,239)	-	(20,519,146)
Total accumulated depreciation.....	(61,661,360)	(3,748,044)	66,685	(65,342,719)
Total capital assets being depreciated, net.....	80,697,839	(1,699,706)	(21,572)	78,976,561
Total governmental activities capital assets, net.....	\$ 142,362,677	\$ 6,509,235	\$ (248,168)	\$ 148,623,744

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
<u>Capital assets being depreciated:</u>				
Land improvements.....	\$ 43,947	\$ -	\$ -	\$ 43,947
Buildings and improvements.....	7,237,301	-	-	7,237,301
Machinery and equipment.....	1,440,825	-	-	1,440,825
Vehicles.....	806,963	-	-	806,963
Infrastructure.....	13,805,497	-	-	13,805,497
	<u>23,334,533</u>	<u>-</u>	<u>-</u>	<u>23,334,533</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(27,466)	(2,198)	-	(29,664)
Buildings and improvements.....	(1,854,830)	(144,746)	-	(1,999,576)
Machinery and equipment.....	(617,604)	(64,752)	-	(682,356)
Vehicles.....	(615,191)	(88,208)	-	(703,399)
Infrastructure.....	(2,786,711)	(285,381)	-	(3,072,092)
	<u>(5,901,802)</u>	<u>(585,285)</u>	<u>-</u>	<u>(6,487,087)</u>
Total capital assets being depreciated, net.....	<u>17,432,731</u>	<u>(585,285)</u>	<u>-</u>	<u>16,847,446</u>
Total business-type activities capital assets, net.....	<u>\$ 17,432,731</u>	<u>\$ (585,285)</u>	<u>\$ -</u>	<u>\$ 16,847,446</u>

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

Governmental Activities:

General government.....	\$ 188,883
Public safety.....	157,325
Education.....	1,833,902
Public works.....	1,106,673
Health and human services.....	500
Culture and recreation.....	460,761
	<u>3,748,044</u>
Total depreciation expense - governmental activities.....	<u>\$ 3,748,044</u>

Business-Type Activities:

Water/Sewer.....	<u>\$ 585,285</u>
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NOTE 6 - INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2009, are summarized as follows:

Transfers Out:	Transfers In:					Total
	General Fund	Stabilization Fund	School Construction Fund	Nonmajor Governmental Funds	Water/Sewer Enterprise Fund	
General Fund.....	\$ -	\$ 3,693,509	\$ 20,655	\$ 472,357	\$ 3,499,549	\$ 7,686,070 (1)
Stabilization Fund.....	3,334,613	-	-	-	-	3,334,613 (2)
School Construction Fund.....	-	-	-	164,156	-	164,156 (3)
Nonmajor Governmental Funds.....	1,001,924	-	-	222,627	-	1,224,551 (4)
	<u>\$ 4,336,537</u>	<u>\$ 3,693,509</u>	<u>\$ 20,655</u>	<u>\$ 859,140</u>	<u>\$ 3,499,549</u>	<u>\$ 12,409,390</u>

(1) Represents budgeted transfers to the stabilization fund (\$3,693,509), school construction fund (\$20,655), athletics special revenue fund (\$272,508), retiree healthcare permanent fund (\$75,000), sale of land special revenue fund (\$67,211), various special revenue funds to fund deficit balances (\$57,638) and enterprise fund subsidy (\$3,295,016). Also represents an unbudgeted transfer to the water/sewer enterprise fund for interest earned on Massachusetts Water Resource Authority (MWRA) loan and grant proceeds.

(2) Represents budgeted transfers from the stabilization fund (\$3,334,613)

(3) Represents transfers to the public safety building capital projects fund (\$164,156)

(4) Represents budgeted transfers to the general fund from the parking meter special revenue fund (\$246,663), cemetery care permanent fund (\$120,000), ambulance fund (\$75,000) and transfer station recycling special revenue fund (\$61,654), as well as other transfers to the general fund from the police special duty details special revenue fund (\$344,526) and various special revenue funds to close out surplus funds (\$154,081). Also represents transfers from various capital projects funds to the public safety building capital projects fund (\$165,048), the hospital gift special revenue fund to various special revenue funds (\$40,079) and the housing special revenue fund to various special revenue funds (\$17,500).

NOTE 7 - SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue anticipation notes (RAN) or tax anticipation notes (TAN).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BAN) or grant anticipation notes (GAN).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise fund, respectively.

Details related to the short-term debt activity for the fiscal year ended June 30, 2009, is as follows:

Governmental Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at 6/30/2008	Increases	Decreases	Balance at 6/30/2009
BAN	School Remodeling.....	7/2/07	7/1/08	4.00%	\$ 174,663	\$ -	\$ (174,663)	\$ -
BAN	Land Acquisition.....	7/12/07	7/10/08	4.25%	13,600,000	-	(13,600,000)	-
BAN	Land Acquisition.....	4/17/08	7/10/08	2.13%	450,000	-	(450,000)	-
BAN	Building Repairs.....	4/17/08	7/10/08	2.13%	336	-	(336)	-
BAN	Land Acquisition.....	7/10/08	2/4/09	4.00%	-	12,050,000	(12,050,000)	-
BAN	Land Acquisition.....	7/10/08	2/4/09	4.00%	-	450,000	(450,000)	-
BAN	Land Acquisition.....	2/4/09	7/9/09	1.50%	-	12,500,000	-	12,500,000
Total.....					\$ 14,224,999	\$ 25,000,000	\$ (26,724,999)	\$ 12,500,000

Subsequent Events

On July 9, 2009, the Town renewed the BAN outstanding in the amount of \$12,500,000, at an interest rate of 1.00% with a maturity date of July 9, 2010.

NOTE 8 - LONG-TERM DEBT

Chapter 44, Section 10, of the MGL authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". However, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the outstanding indebtedness at June 30, 2009, and the debt service requirements are as follows:

Bonds and Notes Payable – Governmental Funds

Project	Interest Rate	Outstanding at June 30, 2008	Issued	Redeemed	Outstanding at June 30, 2009
Building remodeling.....	4.84%	\$ 270,000	\$ -	\$ (30,000)	\$ 240,000
School project.....	4.85%	825,000	-	(85,000)	740,000
School building remodeling.....	5.20%	139,000	-	(69,500)	69,500
School engineering.....	5.20%	30,000	-	(15,000)	15,000
School construction.....	4.57%	12,135,000	-	(935,000)	11,200,000
Building remodeling refunding.....	3.51%	1,292,288	-	(194,370)	1,097,918
Ambrose school.....	4.47%	6,080,000	-	(360,000)	5,720,000
Lincoln school.....	4.44%	3,910,000	-	(230,000)	3,680,000
Computer hardware & software.....	3.75%	260,000	-	(55,000)	205,000
Capital improvements.....	4.21%	1,000,000	-	(79,000)	921,000
Departmental equipment.....	3.94%	190,000	-	(20,000)	170,000
Roads.....	4.13%	307,000	-	(36,000)	271,000
Flood migration.....	3.63%	25,000	-	(25,000)	-
Dam improvements.....	3.92%	233,000	-	(40,000)	193,000
Cross street culvert.....	4.44%	170,000	-	(10,000)	160,000
School building remodeling refunding.....	3.82%	759,000	-	(9,000)	750,000
School engineering refunding.....	3.82%	161,750	-	(1,920)	159,830
School remodeling.....	3.92%	2,805,000	-	(160,000)	2,645,000
Town building remodeling.....	3.91%	335,000	-	(20,000)	315,000
Planning.....	3.26%	45,000	-	(20,000)	25,000
Equipment and planning.....	3.51%	160,000	-	(55,000)	105,000
Drainage - cross street.....	3.90%	335,000	-	(20,000)	315,000
Building remodeling.....	4.25%	415,000	-	(25,000)	390,000
School remodeling.....	4.24%	1,095,000	-	(65,000)	1,030,000
Lincoln school.....	4.26%	460,000	-	(30,000)	430,000
Drainage.....	4.25%	50,000	-	(5,000)	45,000
Ambrose school.....	4.24%	1,570,000	-	(90,000)	1,480,000
Building remodeling & plans.....	4.25%	360,000	-	(45,000)	315,000
School remodeling.....	4.13%	2,968,000	-	-	2,968,000
School classrooms.....	4.08%	1,110,000	-	-	1,110,000
McCall middle school design.....	4.18%	562,000	-	-	562,000
Building remodeling and plans.....	4.15%	128,000	-	-	128,000
Recycling center planning.....	3.94%	110,000	-	-	110,000
McCall middle school addition.....	4.21%	100,000	6,088,000	-	6,188,000
Public safety building.....	4.21%	500,000	1,056,000	-	1,556,000
Town Hall.....	4.20%	300,000	1,800,000	-	2,100,000
Transfer station/landfill use restoration.....	4.25%	-	390,000	-	390,000
Municipal purpose loan of 2009 bonds.....	2.28 - 3.55%	-	5,604,000	-	5,604,000
Sub-total.....		41,195,038	14,938,000	(2,729,790)	53,403,248
Deferred loss on refundings.....		(128,333)	-	36,734	(91,599)
Total governmental funds, net.....		<u>\$ 41,066,705</u>	<u>\$ 14,938,000</u>	<u>\$ (2,693,056)</u>	<u>\$ 53,311,649</u>

During fiscal year 2009, the Town issued \$14,938,000 in general obligation bonds for the McCall middle school addition, public safety building, Town Hall, transfer station, Vinson-Owen elementary school feasibility study, DPW complex, Manchester field and other school improvements.

Debt service requirements (gross) for principal and interest for governmental bonds and notes payable in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010.....	\$ 3,947,294	\$ 2,123,888	\$ 6,071,182
2011.....	3,857,543	1,971,385	5,828,928
2012.....	3,818,032	1,823,025	5,641,057
2013.....	3,794,640	1,676,324	5,470,964
2014.....	3,690,319	1,532,344	5,222,663
2015.....	3,550,445	1,390,605	4,941,050
2016.....	3,369,295	1,253,042	4,622,337
2017.....	3,357,920	1,116,926	4,474,846
2018.....	3,312,200	974,517	4,286,717
2019.....	3,200,560	823,452	4,024,012
2020.....	3,195,000	683,530	3,878,530
2021.....	3,090,000	549,140	3,639,140
2022.....	2,120,000	438,635	2,558,635
2023.....	2,115,000	348,864	2,463,864
2024.....	1,990,000	260,797	2,250,797
2025.....	1,885,000	174,493	2,059,493
2026.....	1,070,000	111,239	1,181,239
2027.....	710,000	74,380	784,380
2028.....	700,000	44,957	744,957
2029.....	630,000	16,879	646,879
Total.....	\$ <u>53,403,248</u>	\$ <u>17,388,422</u>	\$ <u>70,791,670</u>

Subsequent Events

On August 15, 2009, the Town issued \$9,515,000 of general obligation refunding bonds carrying interest rates ranging from 2.7% - 3.2% and maturing on August 15, 2020.

Bonds and Notes Payable - Enterprise Fund

Project	Interest Rate	Outstanding at June 30, 2008	Issued	Redeemed	Outstanding at June 30, 2009
Water mains.....	5.20%	\$ 463,000	\$ -	\$ (231,500)	\$ 231,500
Water mains II.....	5.19%	88,000	-	(44,000)	44,000
Water department equipment.....	4.66%	40,000	-	(20,000)	20,000
Water (MWRA).....	0.00%	55,000	-	(11,000)	44,000
Water treatment facility refunding...	3.50%	2,372,712	-	(360,630)	2,012,082
MWPAT.....	4.96%	44,072	-	(4,007)	40,065
Drainage.....	4.44%	2,550,000	-	(150,000)	2,400,000
Water mains refunding.....	3.81%	2,487,050	-	(28,880)	2,458,170
Water mains II refunding.....	3.81%	442,200	-	(5,200)	437,000
Water (MWRA).....	0.00%	444,152	-	(55,519)	388,633
Drainage.....	4.46%	2,035,000	-	(110,000)	1,925,000
Phase III drainage.....	3.53%	-	750,000	-	750,000
Sub-total.....		11,021,186	750,000	(1,020,736)	10,750,450
Deferred loss on refundings.....		(280,767)	-	97,527	(183,240)
Total enterprise fund, net.....		\$ 10,740,419	\$ 750,000	\$ (923,209)	\$ 10,567,210

During fiscal year 2009, the Town issued \$750,000 in general obligation bonds for drainage improvements.

The MWRA operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. For each community approved for the project, financial assistance received from the MWRA consists of a grant and non-interest bearing loan (payable in five equal annual installments). At June 30, 2009, the outstanding principal amount of these loans totaled \$432,633.

Debt service requirements (gross) for principal and interest for enterprise fund bonds and notes payable in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010.....	\$ 1,054,232	\$ 390,868	\$ 1,445,100
2011.....	1,022,983	354,294	1,377,277
2012.....	1,012,494	319,568	1,332,062
2013.....	1,005,886	287,761	1,293,647
2014.....	984,207	248,655	1,232,862
2015.....	949,080	213,254	1,162,334
2016.....	645,230	183,962	829,192
2017.....	586,086	160,719	746,805
2018.....	571,806	137,644	709,450
2019.....	568,446	113,835	682,281
2020.....	555,000	90,895	645,895
2021.....	290,000	73,507	363,507
2022.....	290,000	60,994	350,994
2023.....	290,000	47,950	337,950
2024.....	290,000	34,855	324,855
2025.....	290,000	21,605	311,605
2026.....	140,000	12,081	152,081
2027.....	135,000	6,325	141,325
2028.....	35,000	2,800	37,800
2029.....	35,000	1,400	36,400
Total.....	\$ 10,750,450	\$ 2,762,972	\$ 13,513,422

Authorized and Unissued Debt

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2009, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Land acquisition.....	\$ 12,500,000 *
Schools.....	1,201,238
Sewer.....	796,000
Roads.....	550,000
Winning Farm.....	300,000
Library.....	200,000
Water.....	180,748
Other.....	258
Total.....	\$ 15,728,244

* Short-term debt of \$12,500,000 has been issued and is outstanding at June 30, 2009

Changes in Long-Term Liabilities

During the fiscal year ended June 30, 2009, the following changes occurred in long-term liabilities:

	Balance June 30, 2008	Increases	Decreases	Balance June 30, 2009	Current Portion
Governmental Activities:					
Bonds and notes payable, gross...	\$ 41,195,038	\$ 14,938,000	\$ (2,729,790)	\$ 53,403,248	\$ 3,947,294
Unamortized deferred loss on refundings.....	(128,333)	-	36,734	(91,599)	(25,690)
Bonds and notes payable, net.....	41,066,705	14,938,000	(2,693,056)	53,311,649	3,921,604
Workers' compensation claims....	185,343	123,261	(112,975)	195,629	149,597
Net OPEB obligation.....	-	5,085,524	-	5,085,524	-
Compensated absences.....	849,042	488,593	-	1,337,635	133,764
Total.....	\$ 42,101,090	\$ 20,635,378	\$ (2,806,031)	\$ 59,930,437	\$ 4,204,965
Business-type Activities:					
Bonds and notes payable, gross...	\$ 11,021,186	\$ 750,000	\$ (1,020,736)	\$ 10,750,450	\$ 1,054,232
Unamortized deferred loss on refundings.....	(280,767)	-	97,527	(183,240)	(97,527)
Bonds and notes payable, net.....	10,740,419	750,000	(923,209)	10,567,210	956,705
Net OPEB obligation.....	-	151,885	-	151,885	-
Compensated absences.....	40,606	-	(1,493)	39,113	3,911
Total.....	\$ 10,781,025	\$ 901,885	\$ (924,702)	\$ 10,758,208	\$ 960,616

The governmental activities long-term liabilities are generally liquidated by the general fund.

NOTE 9 - STABILIZATION FUND

At June 30, 2009, \$9,672,148 has been set aside in a stabilization fund, which is classified as a major fund in the governmental funds financial statements. Of the total stabilization fund balance, \$1,062,745 can be used for general and/or capital purposes, \$7,324,569 can be used for building renovations/reconstruction, and \$1,284,834 can be used for capital improvements.

NOTE 10 - RISK FINANCING*Property and Liability Insurance*

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 for which the Town carries commercial insurance.

The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

Health Insurance

The Town participates in a premium-based health-care plan for its active and retired employees through a health insurance risk pool administered by the Massachusetts Interlocal Insurance Association (MIIA). MIIA offers a variety of premium based plans to its members with each participating governmental unit charged a premium for coverage based on rates established by MIIA. The Town is obligated to pay MIIA its required premiums and, in the event that MIIA is terminated, its proportionate share of a deficit, should one exist.

The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

Workers' Compensation and Unemployment Insurance

The Town is self-insured for its workers' compensation and unemployment activities. These activities are accounted for in the general fund where expenses are recorded when incurred.

Workers' compensation claims are administered by a third party administrator and are funded on a pay-as-you-go basis from annual appropriations. The estimated future liability is based on history and injury type.

The liability at June 30, 2009, totaled \$195,629. Changes in the reported liability since July 1, 2007, are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-end
Fiscal year 2008.....	\$ 241,335	32,416	(88,408)	\$ 185,343
Fiscal year 2009.....	185,343	123,261	(112,975)	195,629

The Town's liability for unemployment claims is immaterial at June 30, 2009, and therefore is not reported.

NOTE 11 - PENSION PLAN

Plan Description – The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Winchester Retirement Board. Substantially all employees of the Town are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System.

Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System provides retirement, disability and death benefits to plan members and beneficiaries. 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 authorized by the Winchester Retirement Board and are borne by the System. The System issues a publicly available report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 71 Mount Vernon Street, Winchester, Massachusetts, 01890.

Plan Membership - At December 31, 2008, the System's membership consists of the following:

Active members.....	347
Inactive members.....	90
Retirees and beneficiaries.....	<u>287</u>
Total.....	<u>724</u>

Funding Policy - Chapter 32 of MGL governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll.

Contributions are recognized as additions in the period when they become due pursuant to formal commitments, statutory or contractual requirements. Benefits and refunds are recognized as deductions when incurred and administrative expenses are funded through investment earnings.

Annual Pension Cost - The Town's contributions to the System for the fiscal years ended June 30, 2009, 2008, and 2007 were \$3,185,739, \$3,063,805 and \$2,767,695, respectively. The current and two preceding fiscal years apportionment of the annual pension cost between the two employers required the Town to contribute approximately 99% of the total. At June 30, 2009, the Town did not have a net pension obligation. The required contribution was determined as part of the January 1, 2007, actuarial valuation using the entry age normal actuarial cost method.

Funded Status and Funding Progress - The funded status of the plan at January 1, 2007, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/07	\$ 73,230,482	\$ 89,817,508	\$ 16,587,026	81.5%	\$ 15,863,491	104.6%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL for benefits.

Additional information as of the latest actuarial valuation is as follows:

Valuation date:	January 1, 2007
Actuarial cost method:	Entry age normal
Amortization method:	1.5% increasing
Remaining amortization period:	14 years at January 1, 2007
Asset valuation method:	Actuarial value, 5-year smoothing

Actuarial assumptions:

Investment rate of return:	8.00%
Projected salary increases:	4.75%, 5.00% and 5.25% for groups 1, 2, and 4 respectively
Cost of living adjustments:	3.00%
Interest rate credited to the annuity savings fund:	3.50%

Legally Required Reserve Accounts - The balance in the System's legally required reserves as of December 31, 2008, are as follows:

Description	Amount	Purpose
Annuity Savings Fund.....	\$ 16,377,254	Active members' contribution balance
Annuity Reserve Fund.....	5,025,660	Retired members' contribution account
Military Fund.....	6,171	Military leave of absence contribution balance
Pension Reserve Fund.....	41,823,468	Amounts appropriated to fund future retirement
Pension Fund.....	<u>1,133,146</u>	Remaining net assets
Total.....	\$ <u>64,365,699</u>	

Noncontributory Retirement Allowance - The Town pays the entire retirement allowance for certain retirees who are eligible for noncontributory benefits and are not members of the System. The general fund expenditure for fiscal year 2009 totaled approximately \$47,000.

NOTE 12 - MASSACHUSETTS TEACHERS RETIREMENT SYSTEM

Public school teachers and certain administrators are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$7,110,000 for the fiscal year ended June 30, 2009, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

NOTE 13 - OTHER POST EMPLOYMENT BENEFITS

Plan Description - The Town provides health and life insurance coverage for its retirees and their survivors (hereinafter referred to as the "Plan") as a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process. The Plan does not issue a stand alone financial report.

The number of participants as of July 1, 2008, the latest actuarial valuation, is as follows:

Active employees.....	693
Retired employees, beneficiaries and dependents.....	<u>578</u>
Total.....	<u><u>1,271</u></u>

Funding Policy - The contribution requirements of Plan members and the Town are established and may be amended by the Town. The required health insurance contribution rates (including Medicare Part B) of Plan members and the Town vary by health plan and range from 50 - 90% and 10 - 50%, respectively. The Plan members and Town each contribute 50% towards a \$4,000 term life insurance policy. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

Annual OPEB Cost and Net OPEB Obligation - The Town's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with the parameters set forth in GASB Statement #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 years. The following table shows the components of the Town's annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the Town's net OPEB obligation:

	<u>Amount</u>
Annual required contribution.....	\$ 7,829,515
Interest on net OPEB obligation.....	-
Adjustment to annual required contribution.....	<u>-</u>
Annual OPEB cost.....	7,829,515
Contributions made.....	<u>(2,592,106)</u>
Increase in net OPEB obligation.....	5,237,409
Net OPEB obligation at beginning of year.....	<u>-</u>
Net OPEB obligation at end of year.....	<u><u>\$ 5,237,409</u></u>

Trend information regarding annual OPEB cost, the percentage of the annual OPEB cost contributed and the net OPEB obligation is as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (AOPEBC)</u>	<u>Percentage of AOPEBC Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009*.....	\$ 7,829,515	33.1%	\$ 5,237,409

* Transition year

Funded Status and Funding Progress – The funded status of the Plan at July 1, 2008, the most recent actuarial valuation, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
07/01/08	\$ -	\$ 110,278,479	\$ 110,278,479	0.0%	\$ 37,723,250	292.3%

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 contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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 the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The significant methods and assumptions as of the latest actuarial valuation are as follows:

Valuation date:	July 1, 2008
Actuarial cost method:	Projected Unit Credit
Amortization method:	Level percentage of projected payroll
Remaining amortization period:	30 years at July 1, 2008
Interest discount rate:	3.50%
Healthcare/Medical cost trend rate:	9.0% decreasing 0.5% annually to an ultimate level of 5.0%
Projected salary increases:	4.50% annually

Allocation of AOPEBC - AOPEBC costs were allocated to the Town's functions as follows:

Governmental Activities:	
General government.....	\$ 383,646
Public safety.....	1,284,040
Education.....	5,042,208
Public works.....	610,702
Health and human services.....	70,466
Culture and recreation.....	<u>211,397</u>
Total AOPEBC - governmental activities.....	\$ <u>7,602,459</u>
Business-Type Activities:	
Water/Sewer.....	\$ <u>227,056</u>

NOTE 14 - COMMITMENTS

Hamilton Farm

Purchase and Sale Agreements and Amendments

During fiscal year 2008, the Town completed the \$14,000,000 purchase of two properties (78 Ridge Street and 82 Ridge Street) referred to as Hamilton Farm, which is reported as an Asset Held for Resale in the government-wide financial statements. Also during fiscal year 2008, the Town (the "Seller") entered into two purchase and sale agreements (the "Agreements") to sell Hamilton Farm (excluding the historical buildings and raspberry patch located on the property) to a real estate development company (hereinafter referred to as the "Buyer") for \$14,100,000. The original Agreements provided for the following regarding the purchase price:

- A deposit of \$800,000 upon execution of the Agreement, which occurred during fiscal year 2008
- An additional deposit of \$800,000 if the closing had not occurred by June 1, 2008. This deposit was received during fiscal year 2008.
- An additional deposit of \$800,000 if the closing had not occurred by June 1, 2009. The closing did not occur by June 1, 2009 and this deposit was not received during fiscal year 2009. However, the due date of this deposit was extended through the execution of amendments to the Agreements (see below).
- An additional deposit of \$800,000 if the closing does not occur by June 1, 2010
- The unpaid balance of the purchase price is to be paid at the time of closing

Subsequent to June 30, 2009, the Buyer and Seller executed three (3) amendments to the original Agreements (the "Amendments"). The Amendments provided for the following:

- The June 1, 2009 due date of the additional \$800,000 deposit was extended to September 15, 2009 (first Amendment), October 30, 2009 (second Amendment) and June 1, 2010 (third Amendment)
- The Buyer agreed to pay the Seller approximately \$75,000 for legal fees, debt issuance costs and other expenses incurred by the Seller as a result of having to extend the due date of the third deposit
- A closing date of not later than June 1, 2010

The \$1,600,000 of deposits received by the Seller through June 30, 2009 are non-refundable and have been recognized as revenue in the governmental funds' and government-wide financial statements. Of the \$1,600,000, \$1,550,000 was used to pay down the BANs associated with the purchase of Hamilton Farm.

At June 30, 2009, the third deposit of \$800,000 owed to the Seller on June 1, 2010 is reported as a departmental and other receivable and corresponding deferred revenue in the governmental funds financial statements. The deferred revenue has been recognized as revenue (capital grants and contributions) in the conversion to the government-wide financial statements.

All payments received by the Seller from the Buyer are non-refundable, except on default by the Seller under the terms of the Agreements and/or Amendments or as otherwise described in the Agreements and/or Amendments.

Development Agreement

Simultaneously with the execution of the purchase and sale agreement, the Seller and Buyer entered into a Development Agreement (DA). The DA, among other things, stipulates the following:

- At the time the Buyer applies for Plan Approval (as required by the Seller's zoning by-laws), the Buyer must provide a \$25,000 deposit (hereinafter referred to as the Comprehensive Plan Escrow Account). These funds are to be used by the Seller's Planning Board to contract with a traffic engineer, civil engineer, attorney, landscape architect, urban designer and other consultants to provide technical assistance during the review of the Comprehensive Plan. This deposit must be replenished when the Comprehensive Plan Escrow Account falls below \$5,000.
- Prior to the issuance of a building permit, the Buyer must provide a \$120,000 payment for the purpose of conducting a sewer study. This payment was received during fiscal year 2008.
- At the time of the closing, the Buyer must provide a \$620,000 payment for the purpose of promoting affordable housing in the Town
- At the time of the closing, the Buyer must provide a \$200,000 mitigation payment for the purpose of endowing the maintenance and use of the conservation area associated with the property

These payments are in addition to the purchase price of \$14,100,000.

Other

The Town has also entered into, or is planning to enter into, contracts totaling approximately \$8,000,000 for school remodeling and feasibility studies, public buildings, land improvements, water and sewer system reconstruction and other governmental projects.

NOTE 15 - CONTINGENCIES

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2009, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2009.

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2009, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

NOTE 16 - IMPLEMENTATION OF GASB PRONOUNCEMENTS

The Town implemented the following GASB pronouncements during fiscal year 2009:

- Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This pronouncement requires the recording of an OPEB liability that relates to the Town's future liability for current and future retirees and their spouses for benefits other than pensions, such as health insurance. The statement is recorded prospectively in the first year of implementation. Details relating to the Town's OPEB liability and its calculation are provided at Note 13.
- Statement #49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The implementation of this Statement had no impact on the financial statements.
- Statement #52, *Land and Other Real Estate Held as Investments by Endowments*. The implementation of this Statement had no impact on the financial statements.

NOTE 17 - FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

The GASB has issued the following statements:

- Statement #51, *Accounting and Financial Reporting for Intangible Assets*, which is required to be implemented during fiscal year 2010. The Town is currently evaluating the effect that this Statement will have on its basic financial statements.
- Statement #53, *Accounting and Financial Reporting for Derivative Instruments*, which is required to be implemented during fiscal year 2010. The Town is currently evaluating the effect that this Statement will have on its basic financial statements.
- Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which is required to be implemented during fiscal year 2011. The Town is currently evaluating the effect that this Statement will have on its basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

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Required Supplementary Information

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real estate and personal property taxes.....	\$ -	\$ 59,668,806	\$ -	\$ 59,668,806
Motor vehicle and other excise taxes.....	-	2,708,000	-	2,708,000
Tax liens.....	-	-	-	-
Trash disposal.....	-	1,325,000	-	1,325,000
Intergovernmental.....	-	8,847,231	-	8,847,231
Special assessments.....	-	55,000	-	55,000
Penalties and interest on taxes.....	-	375,000	-	375,000
Licenses and permits.....	-	977,000	-	977,000
Fines and forfeitures.....	-	60,000	-	60,000
Departmental.....	-	1,083,000	-	1,083,000
Investment income.....	-	600,000	-	600,000
TOTAL REVENUES.....	-	75,699,037	-	75,699,037
EXPENDITURES				
Current:				
General government.....	794,549	6,754,999	(754,042)	6,795,506
Public safety.....	28,070	7,789,344	159,579	7,976,993
Education.....	770,398	32,096,336	(249,525)	32,617,209
Public works.....	572,416	6,625,666	478,526	7,676,608
Health and human services.....	1,795	430,240	79,473	511,508
Culture and recreation.....	36,090	1,627,556	43,662	1,707,308
Pension benefits.....	-	3,032,076	-	3,032,076
Employee benefits.....	53,363	8,833,306	64,000	8,950,669
Property and liability insurance.....	-	328,000	-	328,000
State and county charges.....	-	456,315	-	456,315
Debt service:	-	-	-	-
Principal.....	-	2,733,798	-	2,733,798
Interest.....	-	2,752,212	-	2,752,212
TOTAL EXPENDITURES.....	2,256,681	73,459,848	(178,327)	75,538,202
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(2,256,681)	2,239,189	178,327	160,835
OTHER FINANCING SOURCES (USES)				
Transfers in.....	-	3,167,370	670,559	3,837,929
Premium from issuance of bonds and notes.....	-	-	-	-
Transfers out.....	-	(6,827,955)	(653,582)	(7,481,537)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(3,660,585)	16,977	(3,643,608)
NET CHANGE IN FUND BALANCE.....	(2,256,681)	(1,421,396)	195,304	(3,482,773)
FUND BALANCE AT BEGINNING OF YEAR.....	10,961,757	10,961,757	10,961,757	10,961,757
FUND BALANCE AT END OF YEAR.....	\$ 8,705,076	\$ 9,540,361	\$ 11,157,061	\$ 7,478,984

See notes to required supplementary information.

<u>Actual</u>	<u>Current Year Encumbrances and Continuing Appropriations</u>	<u>Actual and Encumbrances and Continuing Appropriations</u>	<u>Variance Positive/ (Negative)</u>
\$ 59,645,701	\$ -	\$ 59,645,701	\$ (23,105)
2,782,752	-	2,782,752	74,752
199,428	-	199,428	199,428
1,402,557	-	1,402,557	77,557
8,093,271	-	8,093,271	(753,960)
73,352	-	73,352	18,352
309,393	-	309,393	(65,607)
1,013,676	-	1,013,676	36,676
56,878	-	56,878	(3,122)
1,116,164	-	1,116,164	33,164
487,751	-	487,751	(112,249)
<u>75,180,923</u>	<u>-</u>	<u>75,180,923</u>	<u>(518,114)</u>
5,953,820	380,782	6,334,602	460,904
7,771,305	126,838	7,898,143	78,850
31,686,914	693,438	32,380,352	236,857
6,685,052	708,380	7,393,432	283,176
438,732	6,659	445,391	66,117
1,565,404	53,382	1,618,786	88,522
2,967,275	-	2,967,275	64,801
8,164,770	45,525	8,210,295	740,374
302,192	-	302,192	25,808
450,095	-	450,095	6,220
-	-	-	-
2,729,790	-	2,729,790	4,008
<u>2,727,887</u>	<u>-</u>	<u>2,727,887</u>	<u>24,325</u>
<u>71,443,236</u>	<u>2,015,004</u>	<u>73,458,240</u>	<u>2,079,962</u>
<u>3,737,687</u>	<u>(2,015,004)</u>	<u>1,722,683</u>	<u>1,561,848</u>
4,336,537	-	4,336,537	498,608
133,997	-	133,997	133,997
<u>(7,686,070)</u>	<u>-</u>	<u>(7,686,070)</u>	<u>(204,533)</u>
<u>(3,215,536)</u>	<u>-</u>	<u>(3,215,536)</u>	<u>428,072</u>
522,151	(2,015,004)	(1,492,853)	1,989,920
<u>10,961,757</u>	<u>10,961,757</u>	<u>10,961,757</u>	<u>-</u>
<u>\$ 11,483,908</u>	<u>\$ 8,946,753</u>	<u>\$ 9,468,904</u>	<u>\$ 1,989,920</u>

PENSION PLAN SCHEDULES

The following schedules provide information related to the System as a whole, for which the Town is one participating employer:

SCHEDULES OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/07	73,230,482	89,817,508	16,587,026	81.5%	15,863,491	104.6%
01/01/05	62,508,562	82,704,690	20,196,128	75.6%	14,092,068	143.3%
01/01/03	56,841,465	72,026,915	15,185,450	78.9%	13,361,418	113.7%
01/01/01	55,668,572	62,489,235	6,820,663	89.1%	12,543,350	54.4%
01/01/98	43,201,137	53,156,586	9,955,449	81.3%	11,346,023	87.7%
01/01/96	32,443,000	44,926,000	12,483,000	72.2%	9,953,000	125.4%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31	Annually Required Contributions (ARC)	Percentage of ARC Contributed (%)
2003	\$ 2,196,198	100
2004	2,494,319	100
2005	2,550,336	100
2006	2,800,000	100
2007	3,100,000	100
2008	3,227,543	100

The following schedule provides information related to the Town's portion of the System's ARC:

TOWN SHARE OF SYSTEM ARC

Fiscal Year Ended	ARC	Percentage of ARC Contributed (%)	Town ARC as a Percentage of System ARC (%)
2004	\$ 2,167,614	100	98.7
2005	2,460,851	100	98.7
2006	2,514,882	100	98.6
2007	2,767,695	100	98.8
2008	3,063,805	100	98.8
2009	3,185,739	100	98.7

NOTE A - BUDGETARY - GAAP RECONCILIATION

For budgetary financial reporting purposes, the Uniform Massachusetts Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2009, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 75,180,923	\$ 73,458,240
<u>Adjustments</u>		
Net change in recording 60-day receipts.....	154,161	-
Net change in recording tax refunds payable.....	(94,494)	-
To record MTRS on-behalf payments.....	7,110,413	7,110,413
Net change in recording short-term interest accrual.....	-	(629,049)
Net change in recording other expenditures.....	-	10,286
To record encumbrances and continuing appropriations.....	-	(2,015,004)
	<u> </u>	<u> </u>
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	\$ <u>82,351,003</u>	\$ <u>77,934,886</u>