

TOWN OF WINCHESTER, MASSACHUSETTS

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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TABLE OF CONTENTS

	Page
Independent Auditors' Report.....	1
Management's Discussion and Analysis	4
Basic Financial Statements	14
Statement of net assets	15
Statement of activities	16
Governmental funds – balance sheet	18
Governmental funds – statement of revenues, expenditures and changes in fund balances	20
Reconciliation of the governmental funds balance sheet total fund balances to the statement of net assets.....	22
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities.....	23
Proprietary fund – statement of net assets	24
Proprietary fund – statement of revenues, expenses and changes in net assets	25
Proprietary fund – statement of cash flows.....	26
Fiduciary funds – statement of fiduciary net assets	27
Fiduciary funds – statement of changes in fiduciary net assets	28
Notes to basic financial statements.....	29
Required Supplementary Information.....	65
General fund – schedule of revenues, expenditures and changes in fund balance – budget and actual	66
Pension plan schedules	68
Schedule of funding progress	68
Schedule of employer contributions	68
Town share of system ARC.....	68
Notes to Required Supplementary Information.....	69

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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, 2010 (except for the Winchester Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2009), 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, 2010 (except for the Winchester Contributory Retirement System, which is as of December 31, 2009), 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 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 assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 4 through 13) and budgetary comparison and certain pension benefits information (located on pages 65 through 69) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink, appearing to read "Sullivan, J. & Co., LLC". The signature is written in a cursive, flowing style.

November 10, 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, 2010.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$140,262,582 (net assets). Of this amount, \$13,221,939 (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 \$6,715,285.
- As of the close of the fiscal year, the Town's governmental funds reported combined ending fund balances totaling \$19,911,770, a decrease of \$5,107,461 in comparison with the prior year. Excluding the Hamilton Farm purchase capital projects fund (major fund), \$24,816,700 represents unreserved fund balance. The Hamilton Farm purchase capital projects fund deficit totaling \$12,500,000 will be funded by the sale of the property or the issuance of long-term debt in a future fiscal year.
- At the end of the fiscal year, undesignated fund balance for the general fund totaled \$7,398,799, or 8.4 percent of total general fund expenditures and transfers out. In the prior year, undesignated fund balance for the general fund totaled \$8,429,836.
- The Town's total outstanding bonded debt decreased \$390,340 during the fiscal year. The Town issued \$13,783,285 of new debt and retired \$14,173,625 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 442 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 438 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 29-63 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 65-69.

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 \$140,262,582 at the close of the fiscal year and are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2010	2009	2010	2009	2010	2009
Assets						
Current assets.....	\$ 33,904,508	\$ 42,393,891	\$ 7,829,173	\$ 6,146,173	\$ 41,733,681	\$ 48,540,064
Noncurrent assets (excluding capital assets).....	22,290,379	19,667,312	-	-	22,290,379	19,667,312
Capital assets (net).....	151,482,909	148,623,744	16,793,626	16,847,446	168,276,535	165,471,190
Total assets.....	<u>207,677,796</u>	<u>210,684,947</u>	<u>24,622,799</u>	<u>22,993,619</u>	<u>232,300,595</u>	<u>233,678,566</u>
Liabilities						
Current liabilities (excluding debt).....	3,475,694	3,544,833	485,850	254,493	3,961,544	3,799,326
Noncurrent liabilities (excluding debt).....	11,542,216	6,335,427	345,734	187,087	11,887,950	6,522,514
Current debt.....	16,869,896	16,421,604	1,169,745	956,705	18,039,641	17,378,309
Noncurrent debt.....	47,627,149	49,390,045	10,521,729	9,610,505	58,148,878	59,000,550
Total liabilities.....	<u>79,514,955</u>	<u>75,691,909</u>	<u>12,523,058</u>	<u>11,008,790</u>	<u>92,038,013</u>	<u>86,700,699</u>
Net Assets						
Invested in capital assets (net of related debt).....	110,473,981	110,302,957	9,816,606	8,426,514	120,290,587	118,729,471
Restricted.....	6,750,056	5,585,833	-	-	6,750,056	5,585,833
Unrestricted.....	10,938,804	19,104,248	2,283,135	3,558,315	13,221,939	22,662,563
Total net assets.....	<u>\$ 128,162,841</u>	<u>\$ 134,993,038</u>	<u>\$ 12,099,741</u>	<u>\$ 11,984,829</u>	<u>\$ 140,262,582</u>	<u>\$ 146,977,867</u>

The largest portion of the Town's net assets (85.8%) 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 (4.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (9.4% or \$13,221,939) may be used to meet the Town's ongoing obligations to citizens and creditors. Of this amount, \$10,938,804 may be used to support governmental activities and \$2,283,135 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, 2010, the Town's total net assets decreased by \$6,715,285, compared to a decrease of \$5,628,167 in the prior fiscal year. These amounts are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues						
<i>Program Revenues:</i>						
Charges for services.....	\$ 7,942,634	\$ 8,041,640	\$ 4,348,487	\$ 4,770,290	\$ 12,291,121	\$ 12,811,930
Operating grants and contributions.....	17,774,427	15,814,492	14,342	65,970	17,788,769	15,880,462
Capital grants and contributions.....	(598,296)	1,454,269	350,415	-	(247,881)	1,454,269
<i>General Revenues:</i>						
Real estate and personal property taxes.....	61,602,119	59,692,834	-	-	61,602,119	59,692,834
Motor vehicle and other excise taxes.....	2,710,952	2,779,383	-	-	2,710,952	2,779,383
Penalties and interest on taxes.....	131,792	309,393	-	-	131,792	309,393
Payments in lieu of taxes.....	38,569	-	-	-	38,569	-
Grants and contributions not restricted to specific programs.....	1,516,048	2,214,588	-	-	1,516,048	2,214,588
Unrestricted investment income.....	272,367	763,467	-	-	272,367	763,467
Total revenues.....	91,390,612	91,070,066	4,713,244	4,836,260	96,103,856	95,906,326
Expenses						
General government.....	7,230,413	7,725,826	-	-	7,230,413	7,725,826
Public safety.....	12,224,380	12,859,942	-	-	12,224,380	12,859,942
Education.....	57,810,357	55,723,009	-	-	57,810,357	55,723,009
Public works.....	8,784,138	9,241,965	-	-	8,784,138	9,241,965
Health and human services.....	1,291,573	1,284,985	-	-	1,291,573	1,284,985
Culture and recreation.....	4,188,975	4,213,101	-	-	4,188,975	4,213,101
Debt service - interest.....	2,948,181	2,263,614	-	-	2,948,181	2,263,614
Water/Sewer.....	-	-	8,341,124	8,222,051	8,341,124	8,222,051
Total expenses.....	94,478,017	93,312,442	8,341,124	8,222,051	102,819,141	101,534,493
Change in net assets before transfers.....	(3,087,405)	(2,242,376)	(3,627,880)	(3,385,791)	(6,715,285)	(5,628,167)
Transfers, net.....	(3,742,792)	(3,499,549)	3,742,792	3,499,549	-	-
Change in net assets.....	(6,830,197)	(5,741,925)	114,912	113,758	(6,715,285)	(5,628,167)
Net assets - beginning of year.....	134,993,038	140,734,963	11,984,829	11,871,071	146,977,867	152,606,034
Net assets - end of year.....	\$ <u>128,162,841</u>	\$ <u>134,993,038</u>	\$ <u>12,099,741</u>	\$ <u>11,984,829</u>	\$ <u>140,262,582</u>	\$ <u>146,977,867</u>

Governmental activities decreased the Town's net assets by \$6,830,197. In the prior year, governmental activities decreased the Town's net assets by \$5,741,925. The key element of this change is an \$800,000 decrease in net assets caused by the recognition of a 100% uncollectible allowance for receivables related to the Hamilton Farm purchase major fund.

Business-type activities increased the Town's net assets by \$114,912. In the prior year, business-type activities increased the Town's net assets by \$113,758.

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 \$19,911,770, a decrease of \$5,107,461 in comparison with the prior year. Excluding the Hamilton Farm purchase capital projects fund (major fund), \$22,738,748 represents undesignated fund balance. The Hamilton Farm purchase capital projects fund (major fund) deficit totaling \$12,500,000 is anticipated to be funded by the sale of the property or the issuance of long-term debt 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 (\$2,051,063)
- Workers' compensation (\$91,163)
- Perpetual permanent funds (\$2,146,162)
- Other specific purposes (\$3,306,648)
- Fund a portion of the fiscal year 2011 operating budget (\$2,077,986)

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 \$7,398,799, while total fund balance was \$11,619,011. 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 8.4% of total general fund expenditures and transfers out, while total fund balance represents 13.3% of that same amount.

The balance of the Town's general fund increased \$139,430 during fiscal year 2010. The Town recognized a positive budget to actual variance (excluding encumbrances and continuing appropriations) totaling approximately \$3,401,000; and used approximately \$3,178,000 of reserves to fund the fiscal year 2010 budget.

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

The fund balance of the stabilization fund (special revenue) decreased by \$1,481,358 during the current fiscal year. During the year, transfers into the fund totaled \$3,548,742 and transfers out of the fund totaled \$5,124,877. Investment income for the year totaled \$94,777.

The fund balance of the school construction fund (capital projects) decreased by \$1,021,699 during the current fiscal year. During the year, expenditures totaled \$2,594,064 and transfers into the fund totaled \$174,633. The fund received bond proceeds (non-refunding) totaling \$1,282,000, refunding bond proceeds totaling \$9,309,000 and a premium from the issuance of refunding bonds totaling \$473,521. The fund also made payments to a refunded bond escrow agent totaling \$9,666,819.

The fund balance of the Hamilton Farm purchase capital projects fund (major fund) decreased by \$5,170 during the current fiscal year as a result of expenditures incurred. The fund deficit at the end of the year totaled \$12,500,000 and is anticipated to be funded by the sale of the property or the issuance of long-term bonds 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 \$2,283,135. The water/sewer enterprise fund had an increase in net assets for the year of \$114,912. 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 \$81,127,422. During the year, supplemental appropriations totaling \$645,657 were authorized. The following table summarizes the increase:

Purpose of Increase	Amount	Funding Source
Rehabilitation of the transfer station tipping building.....	\$ 252,500	Transfer from building stabilization fund
Repairs to Mystic School ceiling.....	131,472	Transfer from capital stabilization fund
Repairs to Lynch School roof.....	114,000	Transfer from building stabilization fund
Education operating budget.....	73,138	Undesignated fund balance
Town center parking study.....	25,000	Undesignated fund balance
Various salaries, wages and other benefits.....	19,884	Undesignated fund balance
Town center parking study.....	15,000	Transfer from parking meter fund
Prior year appropriation deficits.....	<u>14,663</u>	Undesignated fund balance
Total increase.....	<u>\$ 645,657</u>	

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 \$1,350,000. Encumbrances and continuing appropriations total approximately \$2,051,000 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 \$168,276,535 (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 \$2,805,345 (1.7%).

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

- McCall School addition construction in progress (approximately \$1,552,000)
- Purchase of fire truck (approximately \$1,275,000)
- Manchester Field improvements (approximately \$1,166,000)
- Various school building improvements (approximately \$846,000)
- Streets and sidewalk improvements (approximately \$513,000)
- Various water/sewer construction in progress (approximately \$443,000)
- DPW complex construction in progress (approximately \$289,000)

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>	
	2010	2009	2010	2009	2010	2009
Land.....	\$ 60,081,516	\$ 60,081,516	\$ -	\$ -	\$ 60,081,516	\$ 60,081,516
Land improvements.....	2,788,022	1,891,050	12,085	14,283	2,800,107	1,905,333
Buildings and improvements.....	65,680,523	65,750,763	5,092,979	5,237,725	70,773,502	70,988,488
Machinery and equipment.....	1,801,317	2,277,592	693,762	758,469	2,495,079	3,036,061
Vehicles.....	1,567,319	400,009	41,039	103,564	1,608,358	503,573
Infrastructure.....	8,389,178	8,657,147	10,510,684	10,733,405	18,899,862	19,390,552
Construction in progress.....	11,175,034	9,565,667	443,077	-	11,618,111	9,565,667
Total capital assets.....	\$ 151,482,909	\$ 148,623,744	\$ 16,793,626	\$ 16,847,446	\$ 168,276,535	\$ 165,471,190

Additional information on the Town's capital assets can be found in Note 5 on pages 46-47 of this report.

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$63,488,519, 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>	
	2010	2009	2010	2009	2010	2009
General obligation bonds.....	\$ 51,797,045	\$ 53,311,649	\$ 10,861,017	\$ 10,094,512	\$ 62,658,062	\$ 63,406,161
MWRA notes.....	-	-	794,399	432,633	794,399	432,633
MWPAT notes.....	-	-	36,058	40,065	36,058	40,065
Total bonds and notes.....	\$ 51,797,045	\$ 53,311,649	\$ 11,691,474	\$ 10,567,210	\$ 63,488,519	\$ 63,878,859

The Town's total bonded debt decreased \$390,340 (0.6%) during the current fiscal year; \$13,783,285 of new debt was issued.

The Town's bond rating from Moody's Investors Services for the April 2010 bond issuance was Aaa.

Additional information on the Town's long-term debt can be found in Note 8 on pages 49-55 of this report.

Economic Factors and Next Year's Budgets and Rates

The Annual Town Meeting held this past spring approved the fiscal year 2011 Operating Budget of \$87,225,259 which includes appropriations to the Special Article Fund, Building Stabilization Fund, Capital Stabilization Fund, Other Funds and transfers to both the Waster/Sewer and Recreation Enterprise Funds. Town Meeting also approved an appropriation of \$25,000 to the Retiree Trust Fund.

The provisions of Proposition 2 ½ limit the growth of the Town's major source of revenue (Property Taxes) to an annual increase of 2 ½ 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 2011 the revenue collected from taxes will amount to \$64,205,418. The increase in the fiscal year 2011 tax levy attributable to new growth is expected to amount to \$475,000.

Total fiscal year 2010 General Fund revenue was \$80,486,332, which includes transfers from other funds. Property Taxes accounted for 76%, Motor Vehicle Excise 3% and Intergovernmental 9% of total General Fund revenue. In fiscal year 2011, State Revenue is expected to increase compared to fiscal year 2010. State reimbursements related to School Construction will also decrease due to the refunding of debt and the completion of audit. Total fiscal year 2010 General Fund expenditures and encumbrances amounted to \$80,811,422, 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, 2010 the Building Stabilization Fund has a balance of approximately \$6,150,339 and the Capital Stabilization Fund has as balance of approximately \$900,051.

At the Spring 2010 Town Meeting, the Recreation Revolving Funds were approved to be converted to an Enterprise Fund.

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, 2010

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Current assets:			
Cash and cash equivalents.....	\$ 25,093,044	\$ 811,123	\$ 25,904,167
Restricted cash and cash equivalents.....	6,563,335	5,116,063	11,679,398
Receivables, net of allowance for uncollectible amounts:			
Real estate and personal property taxes.....	599,539	-	599,539
Tax and utility liens.....	392,880	27,320	420,200
Motor vehicle and other excise taxes.....	141,466	-	141,466
User charges.....	-	1,874,667	1,874,667
Special assessments.....	213	-	213
Departmental and other.....	333,988	-	333,988
Intergovernmental.....	766,440	-	766,440
Tax foreclosures.....	13,603	-	13,603
Total current assets.....	33,904,508	7,829,173	41,733,681
Noncurrent assets:			
Restricted investments.....	3,171,049	-	3,171,049
Receivables, net of allowance for uncollectible amounts:			
Real estate tax deferrals.....	605,874	-	605,874
Special assessments.....	188,826	-	188,826
Intergovernmental.....	4,324,630	-	4,324,630
Assets held for resale.....	14,000,000	-	14,000,000
Capital assets not being depreciated.....	71,256,550	443,077	71,699,627
Capital assets, net of accumulated depreciation.....	80,226,359	16,350,549	96,576,908
Total noncurrent assets.....	173,773,288	16,793,626	190,566,914
Total assets.....	207,677,796	24,622,799	232,300,595
LIABILITIES			
Current liabilities:			
Warrants payable.....	692,940	283,467	976,407
Accrued payroll.....	284,005	11,887	295,892
Tax refunds payable.....	146,344	-	146,344
Other liabilities.....	1,198,705	-	1,198,705
Accrued interest.....	944,311	186,477	1,130,788
Workers' compensation claims.....	81,628	-	81,628
Compensated absences.....	127,761	4,019	131,780
Short-term notes payable.....	12,700,000	-	12,700,000
Long-term bonds and notes payable.....	4,169,896	1,169,745	5,339,641
Total current liabilities.....	20,345,590	1,655,595	22,001,185
Noncurrent liabilities:			
Workers' compensation claims.....	27,209	-	27,209
Net OPEB obligation.....	10,365,161	309,567	10,674,728
Compensated absences.....	1,149,846	36,167	1,186,013
Long-term bonds and notes payable.....	47,627,149	10,521,729	58,148,878
Total noncurrent liabilities.....	59,169,365	10,867,463	70,036,828
Total liabilities.....	79,514,955	12,523,058	92,038,013
NET ASSETS			
Invested in capital assets, net of related debt.....	110,473,981	9,816,606	120,290,587
Restricted for:			
Permanent funds:			
Expendable.....	1,297,246	-	1,297,246
Nonexpendable.....	2,146,162	-	2,146,162
Other specific purposes.....	3,306,648	-	3,306,648
Unrestricted.....	10,938,804	2,283,135	13,221,939
Total net assets.....	\$ 128,162,841	\$ 12,099,741	\$ 140,262,582

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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.....	\$ 7,230,413	\$ 437,290	\$ 173,728	\$ (800,000)	\$ (7,419,395)
Public safety.....	12,224,380	2,122,484	283,977	-	(9,817,919)
Education.....	57,810,357	2,227,266	15,775,893	(229,471)	(40,036,669)
Public works.....	8,784,138	1,672,540	426,278	431,175	(6,254,145)
Health and human services.....	1,291,573	95,512	51,769	-	(1,144,292)
Culture and recreation.....	4,188,975	1,387,542	268,867	-	(2,532,566)
Debt service - interest.....	2,948,181	-	793,915	-	(2,154,266)
Total governmental activities.....	<u>94,478,017</u>	<u>7,942,634</u>	<u>17,774,427</u>	<u>(598,296)</u>	<u>(69,359,252)</u>
Business-type activities:					
Water/Sewer.....	<u>8,341,124</u>	<u>4,348,487</u>	<u>14,342</u>	<u>350,415</u>	<u>(3,627,880)</u>
Total primary government.....	<u>\$ 102,819,141</u>	<u>\$ 12,291,121</u>	<u>\$ 17,788,769</u>	<u>\$ (247,881)</u>	<u>\$ (72,987,132)</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets:			
Net (expense)/ revenue (from previous page).....	\$ (69,359,252)	\$ (3,627,880)	\$ (72,987,132)
<i>General revenues:</i>			
Real estate and personal property taxes.....	61,602,119	-	61,602,119
Motor vehicle and other excise taxes.....	2,710,952	-	2,710,952
Penalties and interest on taxes.....	131,792	-	131,792
Payments in lieu of taxes.....	38,569	-	38,569
Grants and contributions not restricted to specific programs.....	1,516,048	-	1,516,048
Unrestricted investment income.....	272,367	-	272,367
<i>Transfers, net</i>	(3,742,792)	3,742,792	-
Total general revenues and transfers.....	62,529,055	3,742,792	66,271,847
Change in net assets.....	(6,830,197)	114,912	(6,715,285)
Net assets - beginning of year.....	134,993,038	11,984,829	146,977,867
Net assets - end of year.....	\$ 128,162,841	\$ 12,099,741	\$ 140,262,582

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2010

ASSETS	<u>General</u>	<u>Stabilization</u>	<u>School Construction</u>
Cash and cash equivalents.....	\$ 13,234,264	\$ 8,190,790	\$ -
Receivables, net of allowance for uncollectible amounts:			
Real estate and personal property taxes.....	599,539	-	-
Real estate tax deferrals.....	605,874	-	-
Tax liens.....	392,880	-	-
Motor vehicle and other excise taxes.....	141,466	-	-
Special assessments.....	189,039	-	-
Departmental and other.....	195,894	-	-
Intergovernmental.....	4,797,908	-	-
Tax foreclosures.....	13,603	-	-
Restricted assets:			
Cash and cash equivalents.....	-	-	2,901,905
Investments.....	-	-	-
TOTAL ASSETS.....	<u>\$ 20,170,467</u>	<u>\$ 8,190,790</u>	<u>\$ 2,901,905</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Warrants payable.....	\$ 385,703	\$ -	\$ 177,897
Accrued payroll.....	270,068	-	-
Tax refunds payable.....	146,344	-	-
Other liabilities.....	775,306	-	-
Deferred revenue.....	6,742,890	-	-
Accrued short-term interest.....	122,308	-	-
Workers' compensation claims.....	108,837	-	-
Short-term notes payable.....	-	-	200,000
TOTAL LIABILITIES.....	<u>8,551,456</u>	<u>-</u>	<u>377,897</u>
 FUND BALANCES:			
Reserved for:			
Encumbrances and continuing appropriations.....	2,051,063	-	-
Workers' compensation.....	91,163	-	-
Perpetual permanent funds.....	-	-	-
Other specific purposes.....	-	-	-
Unreserved:			
Designated for subsequent year's expenditures.....	2,077,986	-	-
Undesignated, reported in:			
General fund.....	7,398,799	-	-
Special revenue funds.....	-	8,190,790	-
Capital projects funds.....	-	-	2,524,008
Permanent funds.....	-	-	-
TOTAL FUND BALANCES.....	<u>11,619,011</u>	<u>8,190,790</u>	<u>2,524,008</u>
TOTAL LIABILITIES AND FUND BALANCES.....	<u>\$ 20,170,467</u>	<u>\$ 8,190,790</u>	<u>\$ 2,901,905</u>

See notes to basic financial statements.

Hamilton Farm Purchase	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 3,667,990	\$ 25,093,044
-	-	599,539
-	-	605,874
-	-	392,880
-	-	141,466
-	-	189,039
-	138,094	333,988
-	293,162	5,091,070
-	-	13,603
57,000	3,604,430	6,563,335
-	3,171,049	3,171,049
<u>\$ 57,000</u>	<u>\$ 10,874,725</u>	<u>\$ 42,194,887</u>
\$ -	\$ 129,340	\$ 692,940
-	13,937	284,005
-	-	146,344
57,000	366,399	1,198,705
-	287,088	7,029,978
-	-	122,308
-	-	108,837
12,500,000	-	12,700,000
<u>12,557,000</u>	<u>796,764</u>	<u>22,283,117</u>
-	-	2,051,063
-	-	91,163
-	2,146,162	2,146,162
-	3,306,648	3,306,648
-	-	2,077,986
-	-	7,398,799
-	15,411	8,206,201
(12,500,000)	3,312,494	(6,663,498)
-	1,297,246	1,297,246
<u>(12,500,000)</u>	<u>10,077,961</u>	<u>19,911,770</u>
<u>\$ 57,000</u>	<u>\$ 10,874,725</u>	<u>\$ 42,194,887</u>

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General	Stabilization	School Construction
REVENUES			
Real estate and personal property taxes.....	\$ 61,082,959	\$ -	\$ -
Motor vehicle and other excise taxes.....	2,723,323	-	-
Tax liens.....	67,120	-	-
Payments in lieu of taxes.....	38,569	-	-
Charges for services.....	-	-	-
Trash disposal.....	1,397,149	-	-
Intergovernmental.....	14,777,318	-	-
Special assessments.....	46,736	-	-
Penalties and interest on taxes.....	131,792	-	-
Licenses and permits.....	1,029,639	-	-
Fines and forfeitures.....	60,249	-	-
Departmental.....	1,052,694	-	-
Contributions.....	-	-	-
Investment income.....	177,590	94,777	-
TOTAL REVENUES.....	82,585,138	94,777	-
EXPENDITURES			
Current:			
General government.....	5,471,424	-	115,702
Public safety.....	7,645,854	-	-
Education.....	32,161,099	-	2,478,362
Public works.....	5,819,630	-	-
Health and human services.....	519,020	-	-
Culture and recreation.....	1,569,966	-	-
Pension benefits.....	10,488,425	-	-
Employee benefits.....	9,487,741	-	-
Property and liability insurance.....	273,471	-	-
State and county charges.....	463,872	-	-
Debt service:			
Principal.....	3,947,294	-	-
Interest.....	2,240,381	-	-
TOTAL EXPENDITURES.....	80,088,177	-	2,594,064
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	2,496,961	94,777	(2,594,064)
OTHER FINANCING SOURCES (USES)			
Transfers in.....	5,120,030	3,548,742	174,663
Proceeds of bonds and notes.....	-	-	1,282,000
Premium from issuance of bonds and notes.....	58,737	-	-
Proceeds of refunding bonds.....	-	-	9,309,000
Premium from issuance of refunding bonds.....	-	-	473,521
Transfers out.....	(7,536,298)	(5,124,877)	-
Payments to refunded bond escrow agent.....	-	-	(9,666,819)
TOTAL OTHER FINANCING SOURCES (USES).....	(2,357,531)	(1,576,135)	1,572,365
NET CHANGE IN FUND BALANCES.....	139,430	(1,481,358)	(1,021,699)
FUND BALANCES AT BEGINNING OF YEAR.....	11,479,581	9,672,148	3,545,707
FUND BALANCES AT END OF YEAR.....	\$ 11,619,011	\$ 8,190,790	\$ 2,524,008

See notes to basic financial statements.

Hamilton Farm Purchase	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 61,082,959
-	-	2,723,323
-	-	67,120
-	-	38,569
-	1,634,060	1,634,060
-	-	1,397,149
-	3,364,079	18,141,397
-	-	46,736
-	-	131,792
-	68,747	1,098,386
-	-	60,249
-	2,575,771	3,628,465
-	1,030,665	1,030,665
-	310,162	582,529
-	<u>8,983,484</u>	<u>91,663,399</u>
5,170	439,321	6,031,617
-	2,182,981	9,828,835
-	7,171,951	41,811,412
-	1,143,851	6,963,481
-	129,428	648,448
-	1,602,124	3,172,090
-	-	10,488,425
-	-	9,487,741
-	-	273,471
-	-	463,872
-	-	3,947,294
-	-	<u>2,240,381</u>
<u>5,170</u>	<u>12,669,656</u>	<u>95,357,067</u>
<u>(5,170)</u>	<u>(3,686,172)</u>	<u>(3,693,668)</u>
-	1,145,667	9,989,102
-	870,000	2,152,000
-	-	58,737
-	206,000	9,515,000
-	10,478	483,999
-	(1,070,719)	(13,731,894)
-	<u>(213,918)</u>	<u>(9,880,737)</u>
-	<u>947,508</u>	<u>(1,413,793)</u>
<u>(5,170)</u>	<u>(2,738,664)</u>	<u>(5,107,461)</u>
<u>(12,494,830)</u>	<u>12,816,625</u>	<u>25,019,231</u>
\$ <u>(12,500,000)</u>	\$ <u>10,077,961</u>	\$ <u>19,911,770</u>

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

JUNE 30, 2010

Total governmental fund balances (page 19).....	\$	19,911,770
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....		151,482,909
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.....		7,029,978
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.....		(822,003)
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.....		(51,797,045)
Net OPEB obligation.....		(10,365,161)
Compensated absences.....		<u>(1,277,607)</u>
Net assets of governmental activities (page 15).....	\$	<u><u>128,162,841</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, 2010

Net change in fund balances - total governmental funds (page 21).....	\$ (5,107,461)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period.</p>	
Capital outlays.....	6,764,184
Depreciation.....	(3,884,423)
<p>In the statement of activities, only the <i>gain or loss</i> on the sale and/or disposal of capital assets is reported, whereas in the governmental funds the entire proceeds of sales are reported. As a result, the change in net assets differs from the change in fund balance by the cost of capital assets sold and/or the net book value of capital assets disposed.....</p>	
	(20,596)
<p>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.....</p>	
	(815,523)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any 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.</p>	
Bond proceeds.....	(2,152,000)
Proceeds of refunding bonds.....	(9,515,000)
Payments to refunded bond escrow agent.....	9,880,737
Bond maturities.....	3,947,294
Amortization of deferred losses on refundings.....	(25,690)
Loss on refunding.....	(620,737)
<p>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.....</p>	
	(61,373)
<p>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:</p>	
Net OPEB obligation.....	(5,279,637)
Compensated absences.....	60,028
	60,028
Changes in net assets of governmental activities (page 17).....	\$ (6,830,197)

See notes to basic financial statements.

**PROPRIETARY FUND
STATEMENT OF NET ASSETS**

JUNE 30, 2010

	<u>Business-Type Activities Enterprise Fund</u>
ASSETS	
Current assets:	<u>Water/Sewer</u>
Cash and cash equivalents.....	\$ 811,123
Restricted cash and cash equivalents.....	5,116,063
Receivables, net of allowance for uncollectible amounts:	
User charges.....	1,874,667
Utility liens.....	<u>27,320</u>
Total current assets.....	<u>7,829,173</u>
Noncurrent assets:	
Capital assets not being depreciated.....	443,077
Capital assets, net of accumulated depreciation.....	<u>16,350,549</u>
Total noncurrent assets.....	<u>16,793,626</u>
Total assets.....	<u>24,622,799</u>
LIABILITIES	
Current liabilities:	
Warrants payable.....	283,467
Accrued payroll.....	11,887
Accrued interest.....	186,477
Compensated absences.....	4,019
Long-term bonds and notes payable.....	<u>1,169,745</u>
Total current liabilities.....	<u>1,655,595</u>
Noncurrent liabilities:	
Net OPEB obligation.....	309,567
Compensated absences.....	36,167
Long-term bonds and notes payable.....	<u>10,521,729</u>
Total noncurrent liabilities.....	<u>10,867,463</u>
Total liabilities.....	<u>12,523,058</u>
NET ASSETS	
Invested in capital assets, net of related debt.....	9,816,606
Unrestricted.....	<u>2,283,135</u>
Total net assets.....	<u>\$ 12,099,741</u>

See notes to basic financial statements.

PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

		<u>Business-Type Activities Enterprise Fund</u>
		<u>Water/Sewer</u>
OPERATING REVENUES		
Charges for services.....	\$	4,316,863
Penalties and interest.....		31,624
TOTAL OPERATING REVENUES.....		4,348,487
OPERATING EXPENSES		
Cost of service and administration.....		2,120,703
MWRA assessment.....		4,179,810
Depreciation.....		560,619
Pension benefits.....		332,379
OPEB benefits.....		157,682
Employee benefits.....		545,459
TOTAL OPERATING EXPENSES.....		7,896,652
OPERATING (LOSS).....		(3,548,165)
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental.....		350,415
Investment income.....		14,342
Interest expense.....		(444,472)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....		(79,715)
(LOSS) BEFORE TRANSFERS.....		(3,627,880)
TRANSFERS		
Transfers in.....		3,742,792
CHANGE IN NET ASSETS.....		114,912
NET ASSETS AT BEGINNING OF YEAR.....		11,984,829
NET ASSETS AT END OF YEAR.....	\$	12,099,741

See notes to basic financial statements.

**PROPRIETARY FUND
STATEMENT OF CASH FLOWS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Business-Type Activities Enterprise Fund
	Water/Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users.....	\$ 4,505,338
Payments to vendors.....	(5,511,345)
Payments to employees.....	(1,427,812)
	<u>(2,433,819)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in.....	3,742,792
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from the issuance of bonds and notes.....	2,116,285
Intergovernmental grant (MWRA).....	350,415
Acquisition and construction of capital assets.....	(506,799)
Principal payments on bonds and notes.....	(1,054,232)
Interest expense.....	(389,133)
	<u>516,536</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income.....	14,342
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	1,839,851
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Includes \$2,350,811 reported as restricted).....	4,087,335
CASH AND CASH EQUIVALENTS AT END OF YEAR (Includes \$5,116,063 reported as restricted).....	\$ 5,927,186
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES	
Operating income (loss).....	\$ (3,548,165)
Adjustments to reconcile operating income (loss) to net cash from operating activities:	
Depreciation.....	560,619
Changes in assets and liabilities:	
Utility liens.....	(9,910)
User charges.....	166,761
Warrants payable.....	253,024
Accrued payroll.....	(14,903)
Net OPEB obligation.....	157,682
Accrued compensated absences.....	1,073
Total adjustments.....	1,114,346
NET CASH FROM OPERATING ACTIVITIES.....	\$ (2,433,819)

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2010

ASSETS	Pension Trust Fund (As of 12/31/09)	Private Purpose Trust Funds	Agency Funds
Cash and cash equivalents.....	\$ 6,917,241	\$ 41,269	\$ 845,547
Investments.....	68,479,554	422,244	-
Interest and dividends.....	702	-	-
Receivables, net of allowance for uncollectible amounts:			
Departmental and other.....	3,099	-	-
Total assets	<u>75,400,596</u>	<u>463,513</u>	<u>845,547</u>
LIABILITIES			
Warrants payable.....	9,433	12	3,267
Other liabilities.....	-	-	498,482
Liabilities due depositors.....	-	-	343,798
Total liabilities	<u>9,433</u>	<u>12</u>	<u>845,547</u>
NET ASSETS			
Held in trust for pension benefits and other purposes.....	<u>\$ 75,391,163</u>	<u>\$ 463,501</u>	<u>\$ -</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Pension Trust Fund (As of 12/31/09)	Private Purpose Trust Funds
ADDITIONS		
Contributions:		
Employer.....	\$ 3,323,793	\$ -
Employee.....	1,606,280	-
Private donations.....	-	400
Total contributions.....	4,930,073	400
Net investment income:		
Net appreciation/(depreciation) in fair value of investments.....	10,338,257	31,255
Interest.....	1,489,639	14,151
Total investment income (loss).....	11,827,896	45,406
Less investment expense.....	(251,726)	-
Net investment income (loss).....	11,576,170	45,406
Intergovernmental.....	171,795	-
Transfers from other systems.....	309,714	-
TOTAL ADDITIONS.....	16,987,752	45,806
DEDUCTIONS		
Administration.....	2,910	-
Retirement benefits and refunds.....	5,739,964	-
Transfers to other systems.....	219,414	-
Scholarships awarded.....	-	5,641
TOTAL DEDUCTIONS.....	5,962,288	5,641
CHANGE IN NET ASSETS.....	11,025,464	40,165
NET ASSETS AT BEGINNING OF YEAR.....	64,365,699	423,336
NET ASSETS AT END OF YEAR.....	\$ 75,391,163	\$ 463,501

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 2010 assessment totaled approximately \$71,000. 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.

Alternative Investments

Alternative investments are recorded at fair value as determined in good faith by the general partners of the venture capital firms after consideration of pertinent information, including current financial position and operating results, price-earnings multiples and available market prices of similar companies' securities, the nature of securities, marketability, restrictions on disposition and other appropriation and do not necessarily represent amounts which might ultimately be realized, since such amounts depend on future circumstances and cannot reasonably be determined until individual securities are liquidated.

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 deposits, 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 \$15,000 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 2011 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 2010 approved budget for the general fund authorized \$81,127,422 in appropriations. During fiscal year 2010, supplemental appropriations totaling \$645,657 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, 2010, the following fund deficits exist:

Fund	Amount	Funding Source
Hamilton Farm (major fund)....	\$ 12,500,000 *	Proceeds from sale of land or issuance of long-term debt
Drug Free Schools.....	57,380	Federal grant
ARRA SFSF Grant.....	56,075	Federal grant
SPED Cluster Grants94-412.....	38,566	Federal grant
ARRA IDEA Grant.....	32,695	Federal grant
H1N1 Grant.....	21,064	Federal grant
911 Support.....	14,451	State grant

* See Note 14

C. Excess of Expenditures Over Appropriations

During the fiscal year ended June 30, 2010, expenditures and encumbrances and continuing appropriations exceeded appropriations for snow and ice removal and state and county charges. The snow and ice removal 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, 2010, \$4,386,986 of the Town's bank balance of \$5,184,481 was uninsured and uncollateralized.

Investments Summary

The Town's investments at June 30, 2010 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.....	\$ 1,252,633	\$ 273,863	\$ 489,559	\$ 429,031	\$ 60,180
Corporate bonds.....	128,683	-	128,683	-	-
Money market mutual funds.....	4,669,295	4,669,295	-	-	-
External investment pools.....	13,040,149	13,040,149	-	-	-
Total debt securities.....	19,090,760	\$ 17,983,307	\$ 618,242	\$ 429,031	\$ 60,180
<u>Other Investments:</u>					
Equity securities.....	2,040,135				
Equity mutual funds.....	171,843				
Total other investments.....	2,211,978				
Total investments.....	\$ 21,302,738				

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, 2010, 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, 2010, the credit quality ratings of the Town's investments in debt securities are as follows:

Investment Type	Fair Value	Quality Ratings *	
		AA	Unrated
Corporate bonds.....	\$ 128,683	\$ 128,683	\$ -
Money market mutual funds.....	4,669,295	-	4,669,295
External investment pools.....	13,040,149	-	13,040,149
Total.....	\$ <u>17,838,127</u>	\$ <u>128,683</u>	\$ <u>17,709,444</u>

* 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, 2010, 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, 2010, 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, 2009, the System was not exposed to custodial credit risk.

Investments Summary

The System's investments at December 31, 2009 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.....	\$ 6,885,146	\$ 6,885,146
Mutual bond funds.....	13,196,568	13,196,568
External investment pools.....	<u>15,226,703</u>	<u>15,226,703</u>
Total debt securities.....	<u>35,308,417</u>	<u>\$ 35,308,417</u>
<u>Other Investments:</u>		
Equity mutual funds.....	34,424,698	
Real estate investments.....	1,891,000	
Alternative investments.....	<u>3,740,586</u>	
Total other investments.....	<u>40,056,284</u>	
Total investments.....	<u>\$ 75,364,701</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, 2009, \$1,145,204 of the System's investments of \$75,364,701 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.....	\$ 1,145,204	\$ 1,145,204

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, 2009, 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.....	\$ -	\$ 8,739,581	\$ -	\$ 8,739,581
AA.....	-	749,228	-	749,228
A.....	-	1,474,808	-	1,474,808
BBB.....	-	1,628,539	-	1,628,539
BB.....	-	604,412	-	604,412
Unrated.....	6,885,146	-	15,226,703	22,111,849
Total.....	\$ 6,885,146	\$ 13,196,568	\$ 15,226,703	\$ 35,308,417

* Per the median quality ratings of Fitch's, Moody's or Standard and Poor's (national credit rating organizations)

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, 2009, the System's exposure to foreign currency risk is as follows:

Investment Type	U.S. Dollar Balances	Currency
Equity mutual funds.....	\$ 6,245,071	Euro
Equity mutual funds.....	3,762,748	British Pounds
Equity mutual funds.....	3,722,627	Japanese Yen
Equity mutual funds.....	1,541,069	Australian Dollar
Equity mutual funds.....	1,423,138	Swiss Franc
Equity mutual funds.....	1,381,644	Hong Kong Dollar
Equity mutual funds.....	781,426	South Korean Won
Equity mutual funds.....	743,691	Brazilian Real
Equity mutual funds.....	624,473	Taiwan Dollar
Equity mutual funds.....	390,425	Swedish Krona
Equity mutual funds.....	334,392	South African Rand
Equity mutual funds.....	313,271	Russian Rouble
Equity mutual funds.....	279,390	Indonesian Rupiah
Equity mutual funds.....	263,121	Singapore Dollar
Equity mutual funds.....	257,255	Turkish Lira
Equity mutual funds.....	254,721	Indian Rupee
Equity mutual funds.....	185,972	Danish Krone
Equity mutual funds.....	160,136	Norwegian Krone
Equity mutual funds.....	99,879	Thailand Baht
Equity mutual funds.....	94,163	Egyptian Pound
Equity mutual funds.....	92,406	Mexican Peso
Equity mutual funds.....	66,503	Czech Koruna
Equity mutual funds.....	63,070	Malaysian Ringgit
Equity mutual funds.....	36,539	Colombian Peso
Equity mutual funds.....	36,311	Hungarian Forint
Equity mutual funds.....	35,848	Philippines Peso
Equity mutual funds.....	27,679	Israeli Shekel
Equity mutual funds.....	12,386	New Zealand Dollar
Equity mutual funds.....	1,984	Chilean Peso
Equity mutual funds.....	1,779	Polish Zloty
Equity mutual funds.....	268	Moroccan Dirham
Total.....	\$ 23,233,385	

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, 2009, the System was not exposed to concentration of credit risk.

NOTE 4 - ACCOUNTS RECEIVABLE

At June 30, 2010, 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:

	<u>Gross Amount</u>	Allowance for <u>Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 599,539	\$ -	\$ 599,539
Real estate tax deferrals.....	605,874	-	605,874
Tax liens.....	392,880	-	392,880
Motor vehicle and other excise taxes.....	311,722	(170,256)	141,466
Special assessments.....	189,039	-	189,039
Departmental and other.....	2,052,711	(1,715,624)	337,087
Intergovernmental.....	<u>5,091,070</u>	<u>-</u>	<u>5,091,070</u>
Total.....	<u>\$ 9,242,835</u>	<u>\$ (1,885,880)</u>	<u>\$ 7,356,955</u>

At June 30, 2010, receivables for the water/sewer enterprise fund consist of the following:

	<u>Gross Amount</u>	Allowance for <u>Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
User charges.....	\$ 1,874,667	-	\$ 1,874,667
Utility liens.....	<u>27,320</u>	<u>-</u>	<u>27,320</u>
Total.....	<u>\$ 1,901,987</u>	<u>\$ -</u>	<u>\$ 1,901,987</u>

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

	General Fund	Nonmajor Governmental Funds	Total
<u>Receivable type:</u>			
Real estate and personal property taxes.....	\$ 460,644	\$ -	\$ 460,644
Real estate tax deferrals.....	605,874	-	605,874
Tax liens.....	392,880	-	392,880
Motor vehicle and other excise taxes.....	141,466	-	141,466
Special assessments.....	189,039	-	189,039
Departmental and other.....	195,894	138,094	333,988
Intergovernmental (state school construction).....	4,757,093	-	4,757,093
Intergovernmental (state chapter 90 roadway).....	-	126,029	126,029
Intergovernmental (other state and federal).....	-	22,965	22,965
 Total.....	 \$ 6,742,890	 \$ 287,088	 \$ 7,029,978

The Commonwealth has approved school construction assistance to the Town. The assistance program, which is administered by the Massachusetts School Building Authority (MSBA), provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2010, \$704,503 of such assistance was received. Approximately \$7,393,000 will be received in future fiscal years. Of this amount, approximately \$2,636,000 represents reimbursement of long-term interest costs, and approximately \$4,757,000 represents reimbursement of approved construction costs. Accordingly, a \$4,757,093 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, 2010, 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.....	9,565,667	2,754,103	(1,144,736)	11,175,034
Total capital assets not being depreciated.....	<u>69,647,183</u>	<u>2,754,103</u>	<u>(1,144,736)</u>	<u>71,256,550</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	5,026,778	1,166,414	-	6,193,192
Buildings and improvements.....	95,808,314	2,077,018	-	97,885,332
Machinery and equipment.....	10,560,530	-	(814,885)	9,745,645
Vehicles.....	3,747,365	1,398,801	(689,963)	4,456,203
Infrastructure.....	29,176,293	512,584	-	29,688,877
Total capital assets being depreciated.....	<u>144,319,280</u>	<u>5,154,817</u>	<u>(1,504,848)</u>	<u>147,969,249</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(3,135,728)	(269,442)	-	(3,405,170)
Buildings and improvements.....	(30,057,551)	(2,147,258)	-	(32,204,809)
Machinery and equipment.....	(8,282,938)	(466,571)	805,181	(7,944,328)
Vehicles.....	(3,347,356)	(220,599)	679,071	(2,888,884)
Infrastructure.....	(20,519,146)	(780,553)	-	(21,299,699)
Total accumulated depreciation.....	<u>(65,342,719)</u>	<u>(3,884,423)</u>	<u>1,484,252</u>	<u>(67,742,890)</u>
Total capital assets being depreciated, net.....	<u>78,976,561</u>	<u>1,270,394</u>	<u>(20,596)</u>	<u>80,226,359</u>
Total governmental activities capital assets, net.....	<u>\$ 148,623,744</u>	<u>\$ 4,024,497</u>	<u>\$ (1,165,332)</u>	<u>\$ 151,482,909</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ -	\$ 443,077	\$ -	\$ 443,077
<u>Capital assets being depreciated:</u>				
Land improvements.....	43,947	-	-	43,947
Buildings and improvements.....	7,237,301	-	(198,082)	7,039,219
Machinery and equipment.....	1,440,825	-	-	1,440,825
Vehicles.....	806,963	-	(33,500)	773,463
Infrastructure.....	13,805,497	63,722	-	13,869,219
Total capital assets being depreciated.....	23,334,533	63,722	(231,582)	23,166,673
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(29,664)	(2,198)	-	(31,862)
Buildings and improvements.....	(1,999,576)	(144,747)	198,082	(1,946,241)
Machinery and equipment.....	(682,356)	(64,707)	-	(747,063)
Vehicles.....	(703,399)	(62,525)	33,500	(732,424)
Infrastructure.....	(3,072,092)	(286,442)	-	(3,358,534)
Total accumulated depreciation.....	(6,487,087)	(560,619)	231,582	(6,816,124)
Total capital assets being depreciated, net.....	16,847,446	(496,897)	-	16,350,549
Total business-type activities capital assets, net.....	\$ 16,847,446	\$ (53,820)	\$ -	\$ 16,793,626

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

Governmental Activities:

General government.....	\$ 141,237
Public safety.....	295,893
Education.....	1,875,170
Public works.....	1,107,851
Health and human services.....	5,544
Culture and recreation.....	458,728

Total depreciation expense - governmental activities..... \$ 3,884,423

Business-Type Activities:

Water/Sewer.....	\$ 560,619
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NOTE 6 - INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2010, 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.....	\$ -	\$ 3,548,742	\$ 174,663	\$ 307,253	\$ 3,505,640	\$ 7,536,298 (1)
Stabilization Fund.....	4,474,877	-	-	650,000	-	5,124,877 (2)
Nonmajor Governmental Funds.....	645,153	-	-	188,414	237,152	1,070,719 (3)
	<u>\$ 5,120,030</u>	<u>\$ 3,548,742</u>	<u>\$ 174,663</u>	<u>\$ 1,145,667</u>	<u>\$ 3,742,792</u>	<u>\$ 13,731,894</u>

(1) Represents budgeted transfers to the stabilization fund (\$3,548,742), school construction fund (\$174,663), retiree healthcare permanent fund (\$25,000), athletics special revenue fund (\$280,794) and enterprise fund subsidy (\$3,505,640). Also represents an unbudgeted transfer to the retiree health care permanent fund for prior year interest earned (\$1,459).

(2) Represents budgeted transfers to the general fund (\$4,474,877) and fire truck capital projects fund (\$650,000)

(3) Represents budgeted transfers to the general fund from the parking meter special revenue fund (\$85,000), cemetery care permanent fund (\$120,000) and ambulance special revenue fund (\$17,332), as well as other transfers to the general fund from various special revenue funds to close out surplus funds (\$422,821). Also represents transfers from the Town building repairs capital projects fund to the DPW maintenance facility capital projects fund (\$127,783), as well as miscellaneous transfers between nonmajor governmental funds (\$60,631). Also represents a transfer from the Sylvester and Canal Street culvert special revenue fund to the water/sewer enterprise fund (\$237,152).

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, 2010, is as follows:

Governmental Funds

Description	Origination Date	Maturity Date	Interest Rate	Balance at 6/30/2009	Increases	Decreases	Balance at 6/30/2010
Hamilton Farm Purchase.....	2/4/09	7/9/09	1.50%	\$ 12,500,000	\$ -	\$ (12,500,000)	\$ -
Hamilton Farm Purchase.....	7/9/09	7/9/10	1.00%	-	12,500,000	-	12,500,000
School Feasibility Study.....	4/29/10	4/28/11	1.15%	-	200,000	-	200,000
Total.....				\$ 12,500,000	\$ 12,700,000	\$ (12,500,000)	\$ 12,700,000

Subsequent Events

On July 9, 2010, the Town paid down \$480,000 of the \$12,500,000 Hamilton Farm Purchase BAN from available funds and renewed the BAN in the amount of \$12,020,000, at an interest rate of 1.00% with a maturity date of August 10, 2010.

On August 10, 2010, the Town renewed the Hamilton Farm Purchase BAN in the amount of \$12,020,000, at an interest rate of 1.00% with a maturity date of December 30, 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, 2010, and the debt service requirements are as follows:

Bonds and Notes Payable – Governmental Funds

Project	Interest Rate	Outstanding at June 30, 2009	Issued	Redeemed	Outstanding at June 30, 2010
Building remodeling.....	4.84%	\$ 240,000	\$ -	\$ (240,000)	\$ -
School project.....	4.85%	740,000	-	(740,000)	-
School building remodeling.....	5.20%	69,500	-	(69,500)	-
School engineering.....	5.20%	15,000	-	(15,000)	-
School construction.....	4.57%	11,200,000	-	(9,330,000)	1,870,000
Building remodeling refunding.....	3.51%	1,097,918	-	(190,874)	907,044
Ambrose school.....	4.47%	5,720,000	-	(360,000)	5,360,000
Lincoln school.....	4.44%	3,680,000	-	(230,000)	3,450,000
Computer hardware & software.....	3.75%	205,000	-	(55,000)	150,000
Capital improvements.....	4.21%	921,000	-	(78,000)	843,000
Departmental equipment.....	3.94%	170,000	-	(20,000)	150,000
Roads.....	4.13%	271,000	-	(22,000)	249,000
Dam improvements.....	3.92%	193,000	-	(40,000)	153,000
Cross street culvert.....	4.44%	160,000	-	(10,000)	150,000
School building remodeling refunding.....	3.82%	750,000	-	(9,320)	740,680
School engineering refunding.....	3.82%	159,830	-	(1,600)	158,230
School remodeling.....	3.92%	2,645,000	-	(160,000)	2,485,000
Town building remodeling.....	3.91%	315,000	-	(20,000)	295,000
Planning.....	3.26%	25,000	-	(20,000)	5,000
Equipment and planning.....	3.51%	105,000	-	(55,000)	50,000
Drainage - cross street.....	3.90%	315,000	-	(20,000)	295,000
Building remodeling.....	4.25%	390,000	-	(25,000)	365,000
School remodeling.....	4.24%	1,030,000	-	(65,000)	965,000
Lincoln school.....	4.26%	430,000	-	(30,000)	400,000
Drainage.....	4.25%	45,000	-	(5,000)	40,000
Ambrose school.....	4.24%	1,480,000	-	(90,000)	1,390,000
Building remodeling & plans.....	4.25%	315,000	-	(45,000)	270,000
School remodeling.....	4.13%	2,968,000	-	(176,000)	2,792,000
School classrooms.....	4.08%	1,110,000	-	(80,000)	1,030,000
McCall middle school design.....	4.18%	562,000	-	(31,000)	531,000
Building remodeling and plans.....	4.15%	128,000	-	(8,000)	120,000
Recycling center planning.....	3.94%	110,000	-	(35,000)	75,000
McCall middle school addition.....	4.21%	6,188,000	-	(313,000)	5,875,000
Public safety building.....	4.21%	1,556,000	-	(82,000)	1,474,000
Town hall.....	4.20%	2,100,000	-	(107,000)	1,993,000
Transfer station/landfill use restoration.....	4.25%	390,000	-	(20,000)	370,000
Feasibility study - V.O. Elementary.....	2.28%	200,000	-	(40,000)	160,000
Public safety building.....	3.53%	1,644,000	-	(89,000)	1,555,000
DPW complex.....	3.55%	1,000,000	-	(50,000)	950,000
Transfer station belt.....	2.28%	450,000	-	(90,000)	360,000
Manchester field.....	3.24%	1,350,000	-	(90,000)	1,260,000
Fire alams/corridor/ADA.....	3.53%	960,000	-	(50,000)	910,000
Building remodeling refunding.....	2.71%	-	206,000	-	206,000
School project refunding.....	2.76%	-	642,000	-	642,000
School construction refunding.....	3.23%	-	8,667,000	-	8,667,000
Muraco School HVAC.....	3.22%	-	1,282,000	-	1,282,000
Fire Trucks.....	2.38%	-	650,000	-	650,000
DPW Repairs.....	3.37%	-	220,000	-	220,000
Sub-total.....		53,403,248	11,667,000	(13,207,294)	51,862,954
Deferred loss on refundings.....		(91,599)	-	25,690	(65,909)
Total governmental funds, net.....		\$ 53,311,649	\$ 11,667,000	\$ (13,181,604)	\$ 51,797,045

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>
2011..... \$	4,184,543 \$	1,833,156 \$	6,017,699
2012.....	4,138,032	1,715,731	5,853,763
2013.....	4,099,640	1,594,654	5,694,294
2014.....	3,975,319	1,470,799	5,446,118
2015.....	3,820,445	1,339,214	5,159,659
2016.....	3,494,295	1,210,034	4,704,329
2017.....	3,447,920	1,091,630	4,539,550
2018.....	3,392,200	964,248	4,356,448
2019.....	3,275,560	827,746	4,103,306
2020.....	3,255,000	697,861	3,952,861
2021.....	3,140,000	568,609	3,708,609
2022.....	2,215,000	459,185	2,674,185
2023.....	2,210,000	365,515	2,575,515
2024.....	2,085,000	273,284	2,358,284
2025.....	1,980,000	182,800	2,162,800
2026.....	1,080,000	115,376	1,195,376
2027.....	720,000	77,295	797,295
2028.....	710,000	46,737	756,737
2029.....	640,000	17,604	657,604
<u>Total..... \$</u>	<u>51,862,954 \$</u>	<u>14,851,478 \$</u>	<u>66,714,432</u>

During fiscal year 2010, the Town issued general obligation bonds (non-refunding) in the amount of \$2,152,000 for Muraco School HVAC, fire trucks and department of public works repairs.

Advanced Refunding - August 15, 2009

The Town issued \$9,515,000 of general obligation refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$9,260,000 of outstanding school construction and building remodeling general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$620,737. This amount was expensed in the current fiscal year. This advance refunding was undertaken to reduce total debt service payments over the next eleven years by \$694,232 and resulted in an economic gain of \$827,056.

Details of the advanced refunding are as follows:

<u>Description</u>	<u>School Construction</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Refunding bonds issued.....	\$ 9,309,000	\$ 206,000	\$ 9,515,000
Refunding bonds premium....	473,520	10,479	483,999
Refunded bonds defeased.....	(9,050,000)	(210,000)	(9,260,000)
Bond issuance costs.....	<u>(115,702)</u>	<u>(2,560)</u>	<u>(118,262)</u>
Net loss on refunding.....	<u>\$ 616,818</u>	<u>\$ 3,919</u>	<u>\$ 620,737</u>

<u>Description</u>	<u>School Construction</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Net change in debt service payments.....	<u>\$ 678,959</u>	<u>\$ 15,273</u>	<u>\$ 694,232</u>

<u>Description</u>	<u>School Construction</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Economic gain.....	<u>\$ 808,861</u>	<u>\$ 18,195</u>	<u>\$ 827,056</u>

Bonds and Notes Payable - Enterprise Fund

Project	Interest Rate	Outstanding at June 30, 2009	Issued	Redeemed	Outstanding at June 30, 2010
Water mains.....	5.20%	\$ 231,500	\$ -	\$ (231,500)	\$ -
Water mains II.....	5.19%	44,000	-	(44,000)	-
Water department equipment.....	4.66%	20,000	-	(20,000)	-
Water (MWRA).....	0.00%	44,000	-	(11,000)	33,000
Water treatment facility refunding....	3.50%	2,012,082	-	(354,126)	1,657,956
MWPAT.....	4.96%	40,065	-	(4,007)	36,058
Drainage.....	4.44%	2,400,000	-	(150,000)	2,250,000
Water mains refunding.....	3.81%	2,458,170	-	(28,900)	2,429,270
Water mains II refunding.....	3.81%	437,000	-	(5,180)	431,820
Water (MWRA).....	0.00%	388,633	-	(55,519)	333,114
Drainage.....	4.46%	1,925,000	-	(110,000)	1,815,000
Phase III drainage.....	3.53%	750,000	-	(40,000)	710,000
Drainage.....	3.43%	-	1,688,000	-	1,688,000
Water (MWRA).....	0.00%	-	428,285	-	428,285
Sub-total.....		10,750,450	2,116,285	(1,054,232)	11,812,503
Deferred loss on refundings.....		(183,240)	-	62,211	(121,029)
Total enterprise fund, net.....		<u>\$ 10,567,210</u>	<u>\$ 2,116,285</u>	<u>\$ (992,021)</u>	<u>\$ 11,691,474</u>

During fiscal year 2010, the Town issued \$1,688,000 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). During fiscal year 2010, the Town received a non-interest bearing MWRA loan in the amount of \$428,285. At June 30, 2010, the outstanding principal amount of these loans totaled \$794,399.

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>
2011.....	\$ 1,196,640	\$ 408,472	\$ 1,605,112
2012.....	1,183,151	370,226	1,553,377
2013.....	1,176,543	335,869	1,512,412
2014.....	1,154,864	295,063	1,449,927
2015.....	1,119,737	257,962	1,377,699
2016.....	735,230	226,758	961,988
2017.....	676,086	201,265	877,351
2018.....	661,806	175,490	837,296
2019.....	658,446	148,981	807,427
2020.....	645,000	123,341	768,341
2021.....	380,000	102,353	482,353
2022.....	380,000	86,914	466,914
2023.....	380,000	70,946	450,946
2024.....	380,000	54,701	434,701
2025.....	380,000	38,301	418,301
2026.....	230,000	25,627	255,627
2027.....	225,000	16,631	241,631
2028.....	125,000	9,778	134,778
2029.....	125,000	4,984	129,984
Total.....	\$ <u>11,812,503</u>	\$ <u>2,953,662</u>	\$ <u>14,766,165</u>

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, 2010, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Hamilton Farms Purchase.....	\$ 12,500,000 *
Schools.....	1,351,238 *
Sewer.....	1,329,115
DPW/Roads.....	550,217
Winning Farm.....	300,000
Library.....	200,000
Water.....	180,748
Other.....	258
Total.....	\$ <u>16,411,576</u>

* Short-term debt of \$12,500,000 and \$200,000, respectively, has been issued and is outstanding at June 30, 2010

Changes in Long-Term Liabilities

During the fiscal year ended June 30, 2010, the following changes occurred in long-term liabilities:

	Balance June 30, 2009	Increases	Decreases	Balance June 30, 2010	Current Portion
Governmental Activities:					
Bonds and notes payable, gross.....	\$ 53,403,248	\$ 11,667,000	\$ (13,207,294)	\$ 51,862,954	\$ 4,184,543
Unamortized deferred loss on refundings.....	(91,599)	(620,737)	646,427	(65,909)	(14,647)
Bonds and notes payable, net.....	53,311,649	11,046,263	(12,560,867)	51,797,045	4,169,896
Workers' compensation claims.....	195,629	23,853	(110,645)	108,837	81,628
Net OPEB obligation.....	5,085,524	8,013,685	(2,734,048)	10,365,161	-
Compensated absences.....	1,337,635	-	(60,028)	1,277,607	127,761
Total.....	<u>\$ 59,930,437</u>	<u>\$ 19,083,801</u>	<u>\$ (15,465,588)</u>	<u>\$ 63,548,650</u>	<u>\$ 4,379,285</u>
Business-type Activities:					
Bonds and notes payable, gross.....	\$ 10,750,450	\$ 2,116,285	\$ (1,054,232)	\$ 11,812,503	\$ 1,196,640
Unamortized deferred loss on refundings.....	(183,240)	-	62,211	(121,029)	(26,895)
Bonds and notes payable, net.....	10,567,210	2,116,285	(992,021)	11,691,474	1,169,745
Net OPEB obligation.....	151,885	239,338	(81,656)	309,567	-
Compensated absences.....	39,113	1,073	-	40,186	4,019
Total.....	<u>\$ 10,758,208</u>	<u>\$ 2,356,696</u>	<u>\$ (1,073,677)</u>	<u>\$ 12,041,227</u>	<u>\$ 1,173,764</u>

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

NOTE 9 - STABILIZATION FUND

At June 30, 2010, \$8,190,790 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, \$1,140,400 can be used for general and/or capital purposes, \$6,150,339 can be used for building renovations/reconstruction, and \$900,051 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, 2010, totaled \$108,837. Changes in the reported liability since July 1, 2008, 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 2009.....	\$ 185,343	123,261	(112,975)	\$ 195,629
Fiscal year 2010.....	195,629	23,853	(110,645)	108,837

The Town's liability for unemployment claims is immaterial at June 30, 2010, 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, 2009, the System's membership consists of the following:

Active members.....	345
Inactive members.....	103
Retirees and beneficiaries.....	<u>287</u>
Total.....	<u><u>735</u></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, 2010, 2009, and 2008 were \$3,291,220, \$3,185,739, and \$3,063,805, 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, 2010, the Town did not have a net pension obligation. The required contribution was determined as part of the January 1, 2009, actuarial valuation using the entry age normal actuarial cost method.

Funded Status and Funding Progress - The funded status of the plan at January 1, 2009, 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)
01/01/09	\$ 74,020,553	\$ 97,377,892	\$ 23,357,339	76.0%	\$ 16,879,293	138.4%

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, 2009
Actuarial cost method:	Entry age normal
Amortization method:	1.5% increasing
Remaining amortization period:	21 years at January 1, 2009
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, 2009, are as follows:

<u>Description</u>	<u>Amount</u>	<u>Purpose</u>
Annuity Savings Fund.....	\$ 17,211,412	Active members' contribution balance
Annuity Reserve Fund.....	5,243,604	Retired members' contribution account
Military Fund.....	6,202	Military leave of absence contribution balance
Pension Reserve Fund.....	51,763,618	Amounts appropriated to fund future retiremer
Pension Fund.....	<u>1,166,327</u>	Remaining net assets
Total.....	<u>\$ 75,391,163</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 2010 totaled approximately \$43,000.

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 \$7,419,000 for the fiscal year ended June 30, 2010, 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.....	\$ 8,231,913
Interest on net OPEB obligation.....	183,309
Adjustment to annual required contribution.....	<u>(162,199)</u>
Annual OPEB cost.....	8,253,023
Contributions made.....	<u>(2,815,704)</u>
Increase in net OPEB obligation.....	5,437,319
Net OPEB obligation at beginning of year.....	<u>5,237,409</u>
Net OPEB obligation at end of year.....	<u><u>\$ 10,674,728</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
June 30, 2010.....	8,253,023	34.1%	10,674,728

* 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 AOEPEC - AOEPEC costs were allocated to the Town's functions as follows:

Governmental Activities:

General government.....	\$ 404,398
Public safety.....	1,336,990
Education.....	5,331,452
Public works.....	635,483
Health and human services.....	74,277
Culture and recreation.....	<u>231,085</u>

Total AOEPEC - governmental activities..... \$ 8,013,685

Business-Type Activities:

Water/Sewer.....	\$ <u>239,338</u>
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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 had not been received as of June 30, 2010. 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 had not occurred by June 1, 2010. The closing did not occur by June 1, 2010 and this deposit had not been received as of June 30, 2010. The due date of this deposit was extended through the execution of amendments to the Agreements (see below).
- The unpaid balance of the purchase price is to be paid at the time of closing

The Buyer and Seller have executed five (5) amendments to the original Agreements (the "Amendments"). The Amendments provided for the following:

- The \$800,000 deposit originally due on June 1, 2009 was extended to September 15, 2009 (first Amendment), October 30, 2009 (second Amendment), June 1, 2010 (third Amendment), July 20, 2010 (fourth Amendment) and September 30, 2010 (fifth Amendment)

- The \$800,000 deposit originally due on June 1, 2010 was extended to July 20, 2010 (fourth Amendment) and September 30, 2010 (fifth Amendment)
- Pursuant to the third Amendment (executed in November 2009), the Buyer agreed to reimburse the Seller 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. This amount (approximately \$57,000) was received during fiscal year 2010 and is reported as restricted cash and a corresponding other liability in the governmental funds financial statements.
- Pursuant to the fourth Amendment (executed in June 2010), the Buyer agreed to reimburse the Seller for estimated lost investment income and debt issuance and interest costs expected to be incurred by the Seller as a result of having to extend the due dates of the third and fourth deposits. This amount (approximately \$27,000) was due on the closing date, which was extended to no later than July 20, 2010 by the fourth Amendment. The closing did not occur by July 20, 2010 and the payment was not made.
- Pursuant to the fifth Amendment (executed in July 2010), the Buyer agreed to reimburse the Seller for estimated lost investment income and debt issuance and interest costs expected to be incurred by the Seller as a result of having to extend the due dates of the third and fourth deposits. This amount (approximately \$89,000) was due within seven (7) business days of July 20, 2010. Furthermore, failure on the Buyer's behalf to make payment within the 7 days would result in the fifth Amendment being null and void. This payment was not made by the due date.
- Pursuant to the fifth Amendment, a closing date of not later than September 30, 2010. The closing did not occur by September 30, 2010.

On August 16, 2010, the Seller sent a notice of default to the Buyer concerning the Buyer's failure to pay the \$89,000 owed to the Seller (pursuant to the fifth Amendment) and its intention to exercise its right to terminate the Agreement. On November 2, 2010, the Seller sent a letter to the Buyer terminating the Agreement and demanding payment of the third and fourth deposits owed to the Seller. Due to the Buyer's consistent failure to make its required payments, the third and fourth deposits of \$800,000 each (\$1,600,000 in total) owed to the Seller as of June 30, 2010 is considered 100% uncollectible.

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, 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, 2010, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2010.

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, 2010, 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 2010:

- Statement #51, *Accounting and Financial Reporting for Intangible Assets*. The implementation of this Statement had no impact on the financial statements.
- Statement #53, *Accounting and Financial Reporting for Derivative Instruments*. The implementation of this Statement had no impact on the financial statements.
- Statement #55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The implementation of this Statement had no impact on the financial statements.
- Statement #56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. The implementation of this Statement had no impact on the financial statements.
- Statement #58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. 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 #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.
- Statement #57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, which is required to be implemented during fiscal year 2012. The implementation of this pronouncement will not impact the basic financial statements.
- Statement #59, *Financial Instruments Omnibus*, 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, 2010

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real estate and personal property taxes.....	\$ -	\$ 61,409,011	\$ -	\$ 61,409,011
Motor vehicle and other excise taxes.....	-	2,750,000	-	2,750,000
Tax liens.....	-	-	-	-
Payments in lieu of taxes.....	-	-	-	-
Trash disposal.....	-	1,370,000	-	1,370,000
Intergovernmental.....	-	7,721,304	-	7,721,304
Special assessments.....	-	70,000	-	70,000
Penalties and interest on taxes.....	-	210,000	-	210,000
Licenses and permits.....	-	975,000	-	975,000
Fines and forfeitures.....	-	54,000	-	54,000
Departmental.....	-	1,123,500	-	1,123,500
Investment income.....	-	230,000	-	230,000
TOTAL REVENUES.....	-	75,912,815	-	75,912,815
EXPENDITURES				
Current:				
General government.....	380,782	5,906,841	(20,917)	6,266,706
Public safety.....	126,838	7,888,278	(129,519)	7,885,597
Education.....	693,438	32,267,487	145,428	33,106,353
Public works.....	708,380	6,244,532	110,741	7,063,653
Health and human services.....	6,659	455,327	83,937	545,923
Culture and recreation.....	53,382	1,568,600	(18,039)	1,603,943
Pension benefits.....	-	3,118,414	-	3,118,414
Employee benefits.....	45,525	9,402,429	280,642	9,728,596
Property and liability insurance.....	-	328,000	-	328,000
State and county charges.....	-	457,695	-	457,695
Debt service:				
Principal.....	-	3,993,222	(40,000)	3,953,222
Interest.....	-	2,315,142	(120,000)	2,195,142
TOTAL EXPENDITURES.....	2,015,004	73,945,967	292,273	76,253,244
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(2,015,004)	1,966,848	(292,273)	(340,429)
OTHER FINANCING SOURCES (USES)				
Transfers in.....	-	4,184,237	512,972	4,697,209
Premium from issuance of bonds and notes.....	-	-	-	-
Transfers out.....	-	(7,181,455)	(353,384)	(7,534,839)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(2,997,218)	159,588	(2,837,630)
NET CHANGE IN FUND BALANCE.....	(2,015,004)	(1,030,370)	(132,685)	(3,178,059)
FUND BALANCE AT BEGINNING OF YEAR.....	11,483,908	11,483,908	11,483,908	11,483,908
FUND BALANCE AT END OF YEAR.....	\$ 9,468,904	\$ 10,453,538	\$ 11,351,223	\$ 8,305,849

See notes to required supplementary information.

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$ 61,205,633	\$ -	\$ 61,205,633	\$ (203,378)
2,723,323	-	2,723,323	(26,677)
67,120	-	67,120	67,120
38,569	-	38,569	38,569
1,397,149	-	1,397,149	27,149
7,358,406	-	7,358,406	(362,898)
46,736	-	46,736	(23,264)
131,792	-	131,792	(78,208)
1,029,639	-	1,029,639	54,639
60,249	-	60,249	6,249
1,052,694	-	1,052,694	(70,806)
177,590	-	177,590	(52,410)
<u>75,288,900</u>	<u>-</u>	<u>75,288,900</u>	<u>(623,915)</u>
5,471,425	426,340	5,897,765	368,941
7,645,854	44,705	7,690,559	195,038
32,161,099	699,036	32,860,135	246,218
5,819,630	852,916	6,672,546	391,107
519,020	17,819	536,839	9,084
1,569,966	4,822	1,574,788	29,155
3,069,513	-	3,069,513	48,901
9,574,533	5,425	9,579,958	148,638
273,471	-	273,471	54,529
463,872	-	463,872	(6,177)
-	-	-	-
3,947,294	-	3,947,294	5,928
2,193,073	-	2,193,073	2,069
<u>72,708,750</u>	<u>2,051,063</u>	<u>74,759,813</u>	<u>1,493,431</u>
<u>2,580,150</u>	<u>(2,051,063)</u>	<u>529,087</u>	<u>869,516</u>
5,120,030	-	5,120,030	422,821
58,737	-	58,737	58,737
<u>(7,536,298)</u>	<u>-</u>	<u>(7,536,298)</u>	<u>(1,459)</u>
<u>(2,357,531)</u>	<u>-</u>	<u>(2,357,531)</u>	<u>480,099</u>
222,619	(2,051,063)	(1,828,444)	1,349,615
<u>11,483,908</u>	<u>11,483,908</u>	<u>11,483,908</u>	<u>-</u>
<u>\$ 11,706,527</u>	<u>\$ 9,432,845</u>	<u>\$ 9,655,464</u>	<u>\$ 1,349,615</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)
01/01/09	74,020,553	97,377,892	23,357,339	76.0%	16,879,293	138.4%
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%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31	Annually Required Contributions (ARC)	Percentage of ARC Contributed (%)
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
2009	3,323,793	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 (%)
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
2010	3,291,220	100	99.0

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, 2010, 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.....	\$ 75,288,900	\$ 74,759,813
<u>Adjustments</u>		
Net change in recording 60-day receipts.....	(261,495)	-
Net change in recording tax refunds payable.....	138,821	-
To record MTRS on-behalf payments.....	7,418,912	7,418,912
Net change in recording short-term interest accrual.....	-	47,308
Net change in recording other expenditures.....	-	(86,793)
To record encumbrances and continuing appropriations.....	-	(2,051,063)
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	<u>\$ 82,585,138</u>	<u>\$ 80,088,177</u>