

TOWN OF WINCHESTER, CONNECTICUT

Comprehensive Annual Financial Report

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2007**

Department of Finance
Henry L. Centrella, Jr.
Director of Finance

TOWN OF WINCHESTER, CONNECTICUT
 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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TOWN OF WINCHESTER - CITY OF WINSTED

Town Hall - 338 Main Street
WINSTED, CONNECTICUT 06098

December 24, 2007

To the Board of Selectmen and Citizens of the Town of Winchester:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to this requirement, we are pleased to issue the comprehensive annual financial report (CAFR) of the Town of Winchester for the fiscal year ended June 30, 2007.

This report consists of management's representations concerning the finances of the Town of Winchester. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the Town of Winchester has established an internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the Town of Winchester's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town of Winchester's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Town of Winchester's financial statements have been audited by Blum, Shapiro & Company, P.C. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Winchester for the fiscal year ended June 30, 2007 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Winchester's financial statements for the fiscal year ended June 30, 2007 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that the management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Town of Winchester's MD&A can be found immediately following the report of the independent auditors.

State and federal "single audits" were also performed as required by state and federal law, respectively. The purpose of these audits is to determine whether the Town of Winchester complied with the laws and regulations and applicable compliance requirements of the major state and federal assistance programs, and whether the Town maintained controls to assure compliance.

Profile of the Government

The Town of Winchester, located in Litchfield County, is a political subdivision situated about 29 miles northwest of Hartford in the watersheds of the Farmington and Naugatuck Rivers. It is bordered on the north by the Town of Colebrook, on the south by the City of Torrington, on the east by the Town of Barkhamsted, and on the west by the Towns of Norfolk and Goshen. It covers a land area of approximately 33.8 square miles. The City of Winsted is located within the Town of Winchester but has no separate government. Winchester was first settled and incorporated as a Town in 1732. The Town sits at the crossroads of U.S. Route No. 44 and State Route No. 8. State Routes No. 20 and 183 also traverse the Town. There are 81.3 miles of Town roads, of which 72.5 miles are paved, and 23.4 miles of State roads.

The Town of Winchester is governed under a home-rule charter last revised in 2001 that provides a Manager/Selectmen/Town Meeting form of government with a seven member Board of Selectmen that also serves as the Board of Finance. Elections are held biennially in November in every odd-numbered year. The residents also have the powers and privileges conferred and granted to Towns and Cities under the Constitution and the General Statutes of the State of Connecticut.

The Town Manager is the full-time Chief Executive and Administrative Officer of the Town and oversees the execution of all laws and ordinances governing the Town. The First Selectman presides over the Board of Selectmen and has full voting privileges on the Board. The Board of Selectmen appoints members to various commissions and boards.

The Town's annual budget meeting is held on the first Monday in May. Prior to adjournment to budget referendum, the electors at the annual town budget meeting review the budget as presented by the Board of Selectmen and have the power to amend, but not increase, any line item of the budget. The annual budget meeting is then adjourned to a referendum for approval.

The Town provides a full range of services, including general government operations; police and fire protection; the construction and maintenance of highways, streets and other infrastructure; health and welfare services; cultural and recreational activities and education. The Town has seventeen recreational areas including a newly constructed skate park.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town of Winchester operates.

Economic Condition and Outlook. Winchester is primarily a residential community with single-family homes. Most residents are in the manufacturing, education, health and social services categories. Recent data from United States Department of Commerce indicates that Winchester's per capita income as of 2000 is \$22,589 as compared to the State of Connecticut's \$28,766. The Town's population decreased 7.5% over the past decade.

A recently completed revaluation led to a 27% increase in assessed property values. This growth was largely due to appreciation of residential properties located in the Town's Highland Lake area. The tax base is primarily zoned residential (84%) with an important industrial and commercial presence (16%).

Unfortunately the Town of Winchester's bond rating was reduced in January 2004 from A1 to A2. The primary reason for this downgrade was due to decline in the Town's fund balance. This decline was due to two major factors: the exposure it had in fiscal 2003 to state aid reductions, and a decision by the Town at its annual budget meeting to use \$725,000 of its fund balance to provide tax levy relief.

Major Initiatives

Economic Development

This past year one of the last parcels in the Winchester Business Park was purchased and developed. The last remaining parcel is, currently, under option. The Economic Development Commission remains committed to expanding the Town's commercial and industrial base and is looking for opportunities to create readily marketable properties in the Town's industrially zoned areas

The Commission has recognized that it needs to aggressively market the Town's most favorable attributes. To accomplish the goals of the Commission, all developmental grants and similar incentives will be aggressively pursued. This would include, but not be limited to, new property development, facilities improvement grants, and recreational funding.

Comprehensive Economic Development Strategy (CEDS)

During the spring of 2003, the Town, in partnership with the Litchfield Hills Council of Elected Officials, contracted with a consultant firm to prepare a regional Comprehensive Economic Development Strategy (CEDS). The plan, completed in June 2004, identifies economic development projects, which have positive impacts on the regional and local economy. The CEDS document will afford the Town access to Federal Economic Development Administration grant and loan funds which are currently not available.

In addition, the Town is working to update its Plan of Conservation and Development to reflect current and future needs. As part of this effort, the Town is developing a GIS system to better analyze and project future growth opportunities and infrastructure needs.

Regional Out-reach

In unison with the CEDS project, the Town is in the Northwest CT Economic Development Corporation. The Corporation is a public/private development arm for the projects to be identified in the CEDS document.

Brownfields

The Town is actively working to assist with the remediation of "brownfield" sites. To date, the United States Environmental Protection Agency has awarded the Town \$550,000 in grant money to study and redevelop several potentially contaminated manufacturing sites located in the downtown and Highland Lake areas.

The primary goal of the program is to assist Winchester in overcoming environmental barriers to the redevelopment of Brownfield sites and attracts new development to the area. The program funds have been used for Phase I through Phase III environmental testing of Brownfield properties, increasing community involvement and environmental awareness, and identifying cleanup strategies.

Main Street Enhancement Project

With the completion of the \$4.8± million Phase I of the Main Street Improvement Program, the Town took a major step forward in its goal of revitalizing its central business district. The Town is now working on Phase 2 of the project and hopes to begin construction in 2008.

The Town is currently utilizing State funds to improve and refurbish a park area adjacent to Northwest Community College and is looking for additional opportunities to work with merchants and property owners in the Main Street area.

National Main Street

The Connecticut Main Street Program, in partnership with "Friends of Main Street" continues to play a critical role in the ongoing efforts to revitalize our Main Street and has won several awards for those efforts.

Still River Greenway

The Still River Greenway is a proposed five mile long, ten-foot wide paved recreational trail running from the intersection of Willow and Rowley Streets in the Town of

Winchester south along Torrington Road for 2.5 miles to Harris Road in the City of Torrington. The trail will be handicap accessible and will be designed for walking, jogging, bicycling, in-line skating, and cross-country skiing. Funding for this \$1,875,000 project will be provided by a Federal TEA-21 grant in the amount of \$1.5 million dollars. The grant will cover 80% of the project costs. The remaining 20% will come from the Town of Winchester, the City of Torrington, and the Still River Greenway Committee. The State of Connecticut Department of Transportation is currently reviewing final design plans. The construction phase will begin in the fall of 2007.

Capital Improvement Project

In June of 2005, the Town of Winchester authorized five capital improvement projects totaling \$7,590,525. These projects were placed into the five categories as part of the referendum authorization process. The categories and their related dollar authorizations are Town Facilities Improvements \$1,970,085, Public Safety Projects \$810,920, Streets and Sidewalks Projects \$2,353,325, Education Projects \$1,093,445, and Sewer Projects \$1,362,750. It is anticipated that grant funds will be secured to offset the final amount the Town will be required to bond. Current estimates have the Town portion of the bonds to be \$6 million and the Sewer portion of the bonds to be \$1.2 million.

Engineers are still reviewing some of the projects and it is anticipated that all projects have been started and will be completed by the spring of 2008. Permanent financing will take place in August of 2008.

Budgetary Controls. The Town maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the electors at referendum. Budget administration is performed by the Department of Finance. The budget is legally enacted at the department expenditure level, which serves as a management tool; budgetary control is maintained at the department level within character of expenditures. This is achieved through the use of a full encumbrance system, which encumbers appropriations upon the issuance of purchase orders. Encumbrances outstanding at year-end are recorded as budgetary expenditures and reported as a reservation of the fund balance at June 30. Transfers within a department may be made during the fiscal year upon approval by the Board of Selectmen. Transfers between departments can only be made during the last three months of the fiscal year, once again, with approval by the Board of Selectmen. Management cannot amend the budget.

Cash Management Policies and Practices. In April 1990, the Town formally adopted an investment policy. This was done in conjunction with the close scrutiny of New England banks by federal regulators. This policy seeks to maintain the safety and liquidity of the investments and provide for the optimum yield on the investments. The policy provides for specific financial information to be obtained from the financial institution holding Town assets to ensure that their financial position falls within the legal requirements of State statutes that govern a municipality's deposits in financial institutions.

Risk Management. The Town of Winchester is a member of the Connecticut Interlocal Risk Management Agency (CIRMA). CIRMA is a nonprofit, tax-exempt association of Connecticut municipalities and local public agencies. It was formed in 1980 by the

Connecticut Conference of Municipalities (CCM) to establish and administer an interlocal risk management program pursuant to the Connecticut General Statutes.

The Town of Winchester has its workers' compensation insurance and portions of its liability-automobile-property insurance with CIRMA. Other portions of its liability-automobile-property insurance are with various insurance companies. The Town's insurance agent is the Litchfield Insurance Group. The Town has a safety committee which meets monthly to review and implement any recommendations by the insurance carriers.

Fiduciary Fund Operation. Fiduciary Funds are used to account for funds that the Town holds in a trustee capacity or as an agent for individuals or organizations. The Town of Winchester Town Employees Pension Trust Fund is used to account for contributions, pension benefits and other costs, which are associated with the operations of the pension plan.

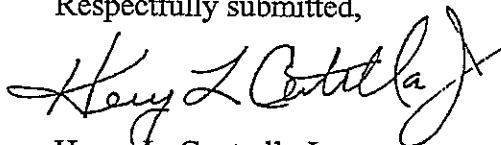
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a certificate of Achievement for Excellence in Financial reporting to the Town for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006. This was the seventeenth year the Town has received this prestigious award. In order to be awarded a Certificate of Achievement, the Town published an easily readable and efficiently organized Comprehensive Annual Financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would have not been accomplished without the efficient and dedicated services of the entire staff of the Department of Finance. The preparation of the Comprehensive Annual Financial Report requires a major effort, and I would like to express my appreciation to those who assisted and contributed to the preparation of this report. I would also like to thank the Board of Selectmen and the Town Manager for their interest and support in planning and conducting the financial operations of the Town in a responsible and progressive manger.

Respectfully submitted,



Henry L. Centrella Jr.
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Winchester Connecticut

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

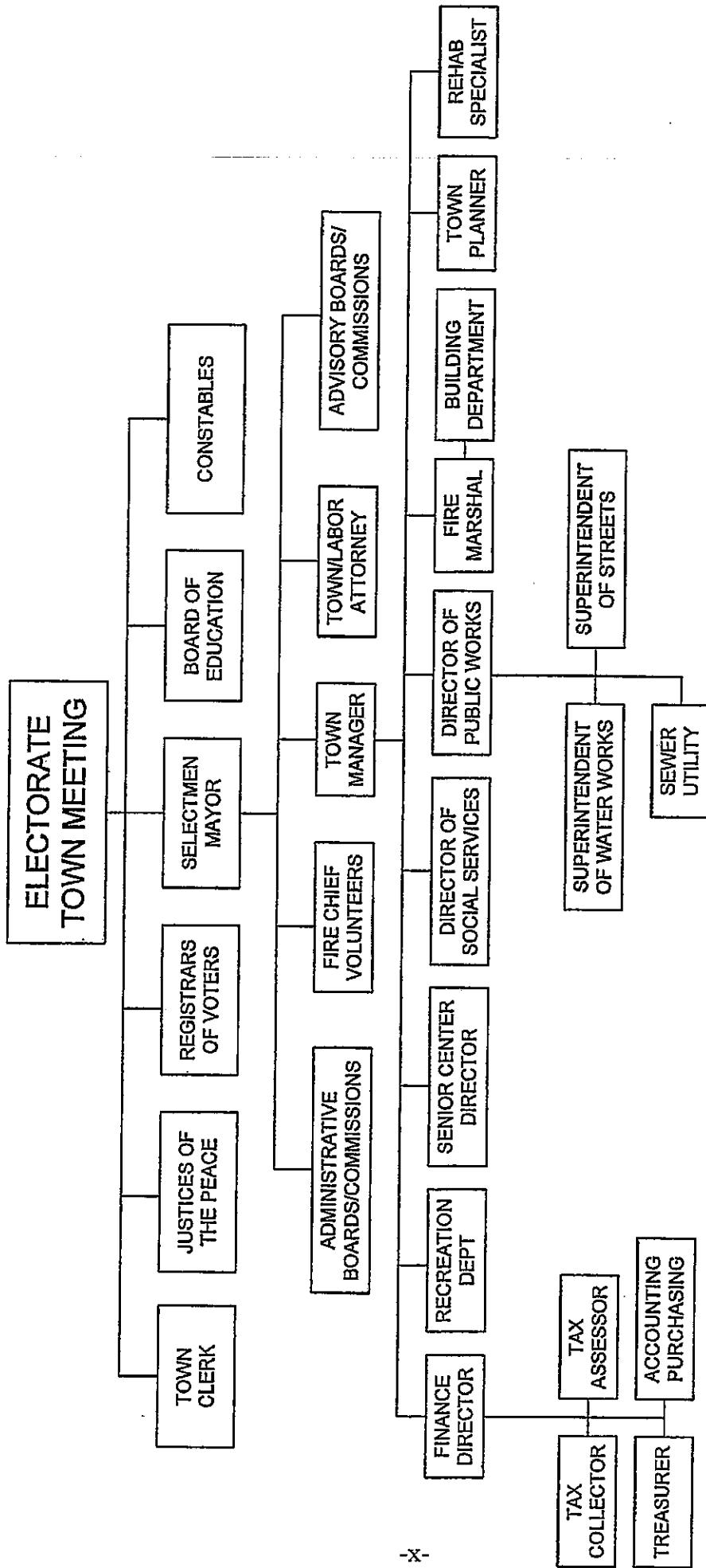
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

ORGANIZATIONAL CHART



TOWN OF WINCHESTER, CONNECTICUT
LIST OF ELECTED AND APPOINTED OFFICIALS
AS OF JUNE 30, 2007

Mayor:	Maryann D. Welcome
Board of Selectmen:	David A. Cappabianca Barbara Wilkes Althea C. Perez Russell D. Buchner Jay M. Case Arthur W. Melycher
Board of Tax Review:	Walter St. Onge, Jr. John Groppo Joyce Miles Lisa R. Smith Dennis Cappabianca Mark Arcelaschi
Director of Public Works:	Patrick E. Hague
Town Manager:	Owen J. Quinn
Director of Finance:	Henry L. Centrella, Jr.
Treasurer:	Spencer C. Monroe
Tax Collector:	Arlene M. Boutin
Town Clerk:	Sheila S. Sedlack
Purchasing Agent:	Mark A. Douglass
Town Assessor:	Janice L. McKie
Superintendent of Schools:	Blaise A. Salerno

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FINANCIAL SECTION

BlumShapiro

Report of Independent Accountants

To the Board of Selectmen
Town of Winchester, Connecticut

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, Connecticut, as of and for the year ended June 30, 2007, which collectively comprise the Town of Winchester, Connecticut'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 basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, 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, Connecticut, as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 16 and the schedule of funding progress - Pension Trust Funds on page 54 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation

of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Winchester, Connecticut's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2007 on our consideration of the Town of Winchester, Connecticut's 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Blum, Shapiro & Company, P.C.

December 24, 2007

Management's Discussion and Analysis

Introduction

This Annual Financial Report meets the financial reporting requirements of the Government Accounting Standards Board (GASB) Statement 34. GASB Statement 34 requires that we, as managers of the Town of Winchester, focus on our most important, or "major" funds, including the general fund.

Fund statements measure and report the "operating results" of many funds by measuring cash on hand and other assets that can easily be converted to cash. These statements show the short-term performance of individual funds using the same measures governments use when financing current operations. On the other hand, if we charge a fee to users for services, fund information will continue to be based on accrual accounting. Showing budgetary compliance has always been an important part of governmental accountability. Our financial statements include the *original* budget as well as the final amended budget.

Our hope is to provide you, the reader, with an objective and readable analysis of our financial performance for the year. Taken together, the following statements should enable you to assess whether Winchester's financial position has improved or deteriorated as a result of the year's operations. The annual report includes government-wide financial statements prepared on the accrual basis for all of your government's activities. Accrual accounting measures not just current assets and current liabilities, but long-term assets and liabilities as well. It also reports all revenues and all costs of providing services each year, not just those received or paid in the current fiscal year (or shortly thereafter).

In summary, the government-wide financial statements will help you:

- Assess the finances of Winchester in its entirety, including the year's operating results;
- Determine whether our overall financial position improved or deteriorated;
- Evaluate whether our current-year revenues were sufficient to pay for current-year services;
- See the costs of providing you the services you have requested of us;
- See how we finance the programs you have asked for - through user fees and other program revenues versus general tax revenues;
- Understand the extent to which your government has invested in capital assets, including roads, bridges, sewers, water systems, schools, parks, and other infrastructure assets;
- Make better comparisons between governments.

The Annual Financial Report includes the following information and financial statements as defined by GASB Statement 34:

✱ **Management's Discussion and Analysis (MD&A)**

The MD&A offers an introduction to the basic financial statements and an analytical overview of the government's financial activities. The MD&A provides an objective and easily readable analysis of the Town's financial activities based on currently known facts, decisions, or conditions. The MD&A

- Includes comparisons of the current year to the prior year based on government-wide information;

- Provides an analysis of our overall financial position and the results of operations to assist you in assessing whether our financial position has improved or deteriorated as a result of the year's activities;
- Analyzes significant changes in fund and major budget variances;
- Describes capital asset and long-term debt activity during the year;
- Concludes with a description of currently known facts, decisions, or conditions that are expected to have a significant effect on our financial position or the results of our operations.

★ **Basic Financial Statements**

Government-Wide Financial Statements are designed to provide readers with a broad overview of the Town of Winchester's finances, in a manner similar to private-sector business.

- They include a *statement of net assets* which presents information on all of the Town of Winchester's 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 and earned but unused vacation leave). The statement of activities is prepared using the economic resources measurement focus and the accrual basis of accounting. These statements report all assets, liabilities, revenues, expenses, and gains and losses of the government. Both of the government-wide financial statements distinguish functions of Winchester that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include Board of Education, public works, public safety, general government, health, parks and recreation, library, waste disposal and recycling, and interest on long-term debt. Our business-type activities include the Water and Sewer Commission. The government-wide financial statements include only the Town of Winchester itself (known as the *primary government*). There is no legally separate unit of government or governmental function (*component unit*) for which the Town is financially accountable. The Water and Sewer Commission, although legally separate, functions for all practical purposes as a department of the Town, and therefore has been included as an integral part of the primary government;
- Fiduciary activities whose resources are not available to finance our governmental programs are excluded from these statements;

Capital assets, including infrastructure, are reported, along with depreciation expense in the statement of activities. Net assets are reported as capital assets net of related debt, restricted, and unrestricted. Permanent endowments or permanent fund principal amounts are included in restricted net assets.

Expenses are presented reduced by program revenues, resulting in a measurement of “net (expense) revenue” for each of the government’s functions. Program expenses include all direct expenses. General revenues such as taxes and special and extraordinary items are reported separately, ultimately arriving at the change in net assets for the period. Special items are significant transactions or other events that are either unusual or infrequent and are within the control of management.

➤ **Fund Financial Statements** are a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Winchester, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- *Governmental fund* financial statements include financial data for the general fund, special revenue funds, capital projects, and permanent funds and are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term 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 activities* in the government-wide financial statements with similar information presented for *governmental funds* in the long-term impact of the government-wide financial statements. By doing so, our readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The Town of Winchester maintains eighteen individual governmental funds. Four of these funds, the general fund, the sewer assessment fund, the small cities fund, and the capital improvements fund are considered major funds, and fourteen are treated as non-major funds consisting of nine special revenue funds and five permanent funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the small cities fund, the capital projects fund, and the sewer assessment fund. Data from the fourteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. Winchester adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.
- *Proprietary fund* financial statements, including financial data for enterprise and internal service funds, are prepared using the economic resources measurement focus and the accrual basis of accounting. The

Town of Winchester 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 enterprise funds to account for the operations of its Water and Sewer Commission. Because water and sewer services predominantly benefit business-type functions, they have been included as a separate column in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Commission.

- *Fiduciary fund* financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. 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 statement because the resources of those funds are *not* available to support the Town of Winchester's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Fund financial statements are presented for primary government and proprietary funds. Governmental fund statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances. Proprietary fund statements are comprised of a statement of net assets, a statement of revenues, expenses, and changes in net fund assets, and a statement of cash flows. A summary reconciliation of the fund and government-wide statements accompanies the fund financial statements.

Separate columns are shown for the general fund and for other major governmental and enterprise funds. Major funds are funds whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds. Other funds that we believe are particularly important to you are also reported as a major fund. Non-major funds are reported in the aggregate in a separate column.

Governmental fund balances are segregated into reserved and unreserved categories.

Proprietary fund net assets are reported in the same categories required for government-wide financial statements. Proprietary fund statements of net assets distinguish between current and non-current assets and liabilities.

The statements distinguish between operating and non-operating revenues and expenses in proprietary fund statements of revenues, expenses, and changes in net fund assets. At the bottom of these statements, we reflect transfers in arriving at the all-inclusive change in fund net assets.

We present separate fiduciary fund statements used to report assets held in a trustee or agency capacity for others and which cannot be used our own programs. We must show a statement of fiduciary net assets and a statement of changes in fiduciary net assets. Fiduciary fund statements also disclose interfund loans, interfund services provided and used, and interfund transfers.

- Notes to the Financial Statements

- Consist of notes that provide information essential to your understanding of the data provided in the government-wide and fund financial statements.
- Required Supplementary Information (RSI)
 - Consists of the MD&A and budgetary comparison schedules;
 - Includes budgetary comparison schedules for the general fund, the town aid road fund, and the dog fund to demonstrate whether resources were obtained and used in accordance with the legally adopted budget;
 - The Town of Winchester's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions.

As management of the Town of Winchester, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here on conjunction with additional information that we have furnished in our letter of transmittal which can be found elsewhere in this report.

Financial Highlights

- The assets of the Town of Winchester for both governmental and business-type activities exceeded liabilities at the close of the most recent year by \$75,149,012 (net assets). Our governmental activities reflect positive unrestricted net assets in the amount of \$4,630,810 indicating these net assets may be used to meet our ongoing obligations to citizens and creditors. Our business-type activities have positive unrestricted net assets of \$882,617 which may be used as needed.
- The primary government's total net assets decreased by \$40,912.
- As of the close of the current fiscal year, Winchester's governmental funds reported combining ending fund balances of a negative \$1,421,850, a drop of \$2,286,341 in comparison with the prior year. About seventy three percent of the positive fund balances, \$2,007,735, represents the government's combined unreserved fund balance.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,335,002, or 4.41% of total general fund expenditures of \$30,297,129.
- The Town of Winchester's long-term bonded debt decreased by \$375,000 for governmental activities and \$950,000 for business-type (water and sewer) activities. The debt reduction came about through payment of scheduled principal payments on our bonded debt. (see Note E., Long-Term Debt, of Notes to Financial Statements).

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of our financial position. In the case of the Town of Winchester, assets exceeded liabilities by \$75,149,012 at the close of the most recent fiscal year.

All of our net assets reflect our investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. We use these capital assets to provide services to citizens;

consequently, these assets are *not* available for future spending. Although the Town's 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.

Table 1. Net Assets

	2007			2006		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Current and Other Assets	\$11,477,347	\$ 1,177,951	\$12,655,298	\$13,416,220	\$ 1,499,146	\$14,915,366
Capital Assets (net)	45,610,564	39,976,835	85,587,399	28,638,236	36,645,881	65,284,117
Total Assets	57,087,911	41,154,786	98,242,697	42,054,456	38,145,027	80,199,483
Long-Term Debt Outstanding ..	4,262,772	8,495,264	12,758,036	4,789,205	9,437,963	14,227,168
Other Liabilities	3,766,191	170,458	3,936,649	9,390,314	191,594	9,581,908
Total Liabilities	8,028,963	8,665,722	16,694,685	14,179,519	9,629,557	23,809,076
Net Assets:						
Invested in Capital						
Assets, net of debt	37,596,274	31,606,447	69,202,721	40,725,211	32,015,107	72,740,318
Restricted	432,864	--	432,864	--	--	--
Unrestricted	4,630,810	882,617	5,513,427	1,565,003	884,603	2,449,606
Total Net Assets	\$42,659,948	\$32,489,064	\$75,149,012	\$42,290,214	\$32,899,710	\$75,189,924

There is no balance of *unrestricted net assets* not comprising capital assets and thus there no *unrestricted net assets* that may be used to meet our ongoing obligations to citizens and creditors.

At the end of the current fiscal year, we are able to report positive balances in all three categories of net assets, both for government as a whole, as well as for its separate governmental and business-type activities. Last year, we also reported positive balances in all three categories of net assets.

The Town's governmental net assets increased by \$369,734 during the current fiscal year. We realized general revenues and transfers of \$20,655,602. Net operating expenditures of \$20,285,868 were exceeded by our revenues by the amount of the net assets increase. Gross governmental expenditures of \$32,733,449 were offset by a combination of \$19,416,214 in property taxes, grants in the amount of \$12,381,103, charges for services equaling \$913,926, investment earnings of \$396,785, and miscellaneous income of a \$213,563. Of the total gross expenditures, \$21,551,084 was accounted for by the Board of Education. Public Safety expenditures of \$3,971,722, General Government outlays of \$2,571,804, and Public works operations in the amount of \$3,370,104 accounted for the largest of the expenditures in the governmental activities category. We also transferred out \$218,408 to the water and sewer department to help with debt service.

The Town of Winchester reports a drop in net assets in connection with the business-type activities of the Water and Sewer Commission in the amount of \$410,646. The water operation decreased net assets by \$114,586 while the sewer operation dropped \$296,060. Water and sewer users paid a combined \$2,775,589 in service charges, fines, and penalties which did not fully cover the \$3,289,670 of operating expenses. Various other revenues plus the transfer in earlier mentioned reduced the initial operating deficit from \$629,054 to the \$410,646 previously discussed.

The combination of governmental activities resulted in a rise in net assets of \$369,734. When offset by the enterprise funds' decrease in net assets of \$410,646, overall government-wide net assets decreased by \$40,912.

Governmental Activities

Governmental activities decreased the Town of Winchester's net assets by \$40,912 as already stated. Key elements of this decrease are as follows:

Table 2. Changes in Net Assets

	<u>Governmental Activities</u>	<u>Business-Type Activities</u> 2007	<u>Total Primary Government</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u> 2006	<u>Total Primary Government</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 913,926	\$2,775,589	\$ 3,689,515	\$ 1,287,873	\$2,892,488	\$4,180,361
Operating Grants and Contributions	10,203,048	--	10,203,048	9,507,076	--	9,507,076
Capital Grants and Contributions	1,330,607	100,727	1,431,334	378,290	1,123,379	1,501,669
General Revenues:						
Property Taxes	19,416,214	--	19,416,214	18,954,951	--	18,954,951
Grants and Contributions not Restricted to Specific Purpose.....	847,448	--	847,448	773,402	--	773,402
Unrestricted Investment Earnings ...	396,785	13,447	410,232	333,180	555	333,735
Other General revenues (net)	213,563	--	213,563	364,529	--	364,529
Total Revenues	33,321,591	2,889,763	36,211,354	31,599,301	4,016,422	35,615,723
Program Expenses:						
Board of education	21,551,084	--	21,551,084	20,428,332	--	20,428,332
Public works.....	3,370,104	--	3,370,104	3,138,955	--	3,138,955
Public safety.....	3,971,722	--	3,971,722	4,009,300	--	4,009,300
General government.....	2,571,804	--	2,571,804	3,550,359	--	3,550,359
Health and welfare	284,419	--	284,419	301,844	--	301,844
Parks and recreation	315,423	--	315,423	265,436	--	265,436
Library.....	191,025	--	191,025	209,543	--	209,543
Waste disposal and recycling	327,548	--	327,548	482,881	--	482,881
Interest on long-term debt	150,320	--	150,320	183,875	--	183,875
Water.....	--	1,777,621	1,777,621	--	1,560,548	1,560,548
Sewer.....	--	1,741,196	1,741,196	--	1,703,944	1,703,944
Total Program Expenses.....	32,733,449	3,518,817	36,252,266	32,570,525	3,264,492	35,835,017
Excess (Deficiency) before special items and transfers.....	588,142	(629,054)	(40,912)	(971,224)	751,930	(219,294)
Transfers.....	(218,408)	218,408	--	(226,116)	226,116	--
Increase (Decrease) in Net Assets	\$ 369,734	(\$ 410,646)	(\$ 40,912)	(\$1,197,340)	\$978,046	(\$219,294)

Governmental Activities

Revenues

- Property tax collections increased by \$461,263 (2.43%) during the year. The budgeted tax levy increase between FY 2006 and FY 2007 was \$640,452 (3.36%).
- Charges for governmental activities services fell \$373,947 as a result of reclassification of cafeteria fund and sewer assessment fund revenues.
- Operating grants and contributions showed an increase of \$695,972 based on the reclassification of cafeteria fund revenues and the change in reporting of Board of Education excess cost grants revenues.
- Capital grants for government activities rose by \$952,317 as a result of the Town's completion of the Nitrogen Removal Project in which the majority of the activity occurred in 2006-2007 and the Town was able to receive Homeland Security Funds

for the Police and Fire Departments in 2006-2007 that it had not received in 2005-2006.

Expenses

- The Board of Education incurred \$1,122,752 in additional expenses over FY 2006 resulting from a change in the reporting of the excess cost grant revenues, an increase in payroll costs and benefits, and an increase in our contribution to the State Teachers Retirement Fund.
- General government expense fell by \$978,555 mostly as a result of some miscellaneous costs being reclassified to other line items and departments.

Chart 1 presents the costs of each of our five largest programs as well as each program's net cost (total cost less revenues generated by the activities). The Net Cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

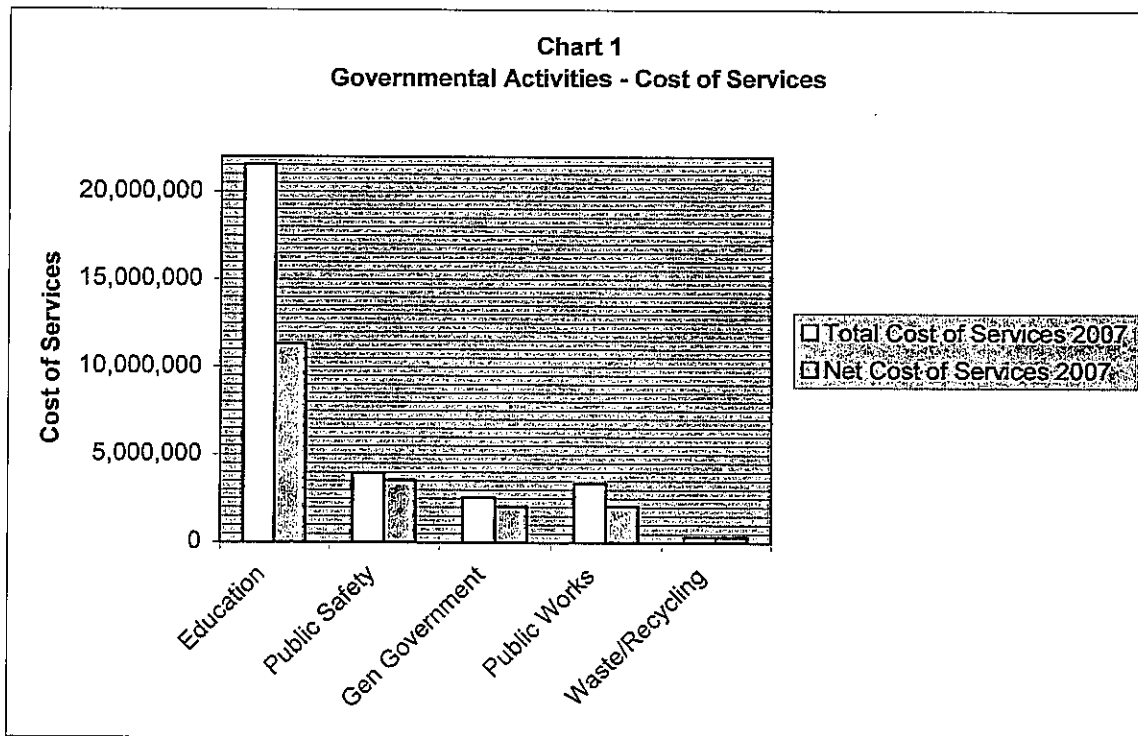
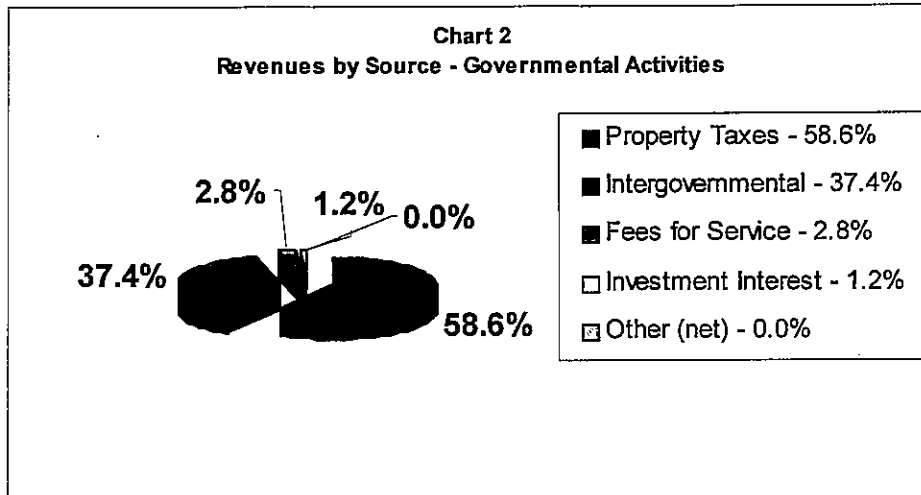


Chart 2 presents the various sources of revenue that fund our operations. The percentages indicate what part of the whole each segment represents.



Business-type activities

Water and sewer business-type activities lowered our net assets by \$410,646 after a general fund transfer in of \$218,408. Key elements of our enterprise fund performance are as follows:

- Water and sewer charges for services, fines and penalties, grants, and other revenue sources were down from last year's levels by \$1,134,367 reflecting completion of much grant-eligible work as our ongoing system renovations proceed;
- Water operating expenses were up by \$228,057 as a result of higher depreciation expenses while sewer outlays were on a par with the previous year;
- Overall water and sewer operations generated a \$410,646 drop in net assets. Broken down, water services generated a \$114,586 decrease in net assets, and sewer activities produced a decline of \$296,060. The shortfalls may be attributed to higher depreciation charges stemming from GASB 34 infrastructure asset inclusion.

The following charts reflect our water and sewer utility operations for fiscal year 2006 regarding sources of revenue and classes of expenses.

expenditures over revenues of \$27,292 translated directly to a fund balance decrease of the same amount.

Sewer Assessment Fund

Also considered a major fund, the sewer assessment fund accepts and tracks assessments paid for sewer usage, hook-ups, and maintenance. Its primary function is to provide funding for debt service payments on the sewer commission's outstanding sewer bonds. For FY 2007, \$203,794 was taken in as other local revenues and \$91,998 was disbursed in interest payments. An additional \$218,408 was transferred out to further assist with sewer debt service. The net change in fund balance was a drop of \$106,612, taking fund balance from a negative \$74,097 to a negative \$180,709

Proprietary funds.

The Town of Winchester'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 and Sewer Commission at the end of the year amounted to \$882,617, a decline of \$410,646 from the previous year. Both water and sewer operations generated operating losses for the year totaling \$514,081. Other revenues and greater expenses added to the shortfall for a total of \$629,054. A transfer in from the sewer assessment fund of \$218,408 for sewer debt service helped reduce the sewer shortfall. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

The original revenue budget remained unchanged at \$28,972,640. The original expenditure budget of \$28,800,767 was increased by \$14,000 through a variety transfers and appropriations during the year as detailed below:

- ❖ Public safety was increased \$95,539 due to an increase in police overtime because of officer retirements, workers compensation injuries, and deployment of staff to Iraq;
- ❖ Public works was lowered by \$130,707, eliminating various costs attributable to a milder than expected winter as well as the funding of road maintenance costs as part of the 2005 Bond Referendum Projects;
- ❖ Miscellaneous was cut \$44,805 due to a periodic one time cost in 2005-2006 for the 53rd pay week cycle;
- ❖ General government received an additional appropriation of \$201,418 due to an increase in compensated leave payments for retired and terminated employees, an increase in the cost of the Town's municipal insurance coverage, an increase in unemployment benefits, an increase in election expenditures, and overall cost increases to all departments contained within the general government category;
- ❖ Parks and recreation was boosted by \$1,737 for additional costs for labor for maintenance of facilities and for lifeguards at the Town beaches;
- ❖ Water disposal and recycling was decreased by \$109,182, because the Town is a member of the Regional Landfill and due to a surplus generated by the landfill from sale of metals in 06-07, the landfill forgave each of the member Town's final quarterly assessment payment, thus, the amounts reflected for 2006-2007 only represent 3 quarters while 2005-2006 represents a full year.

Capital Asset and Debt Administration

Capital assets. The Town of Winchester's investment in capital assets for its governmental and proprietary fund assets includes land, buildings and systems improvements, machinery and equipment, park facilities, roads, highways, sewer systems, water systems, and bridges. The total increase in our investment in capital assets for the current fiscal year was \$3,982,505 before depreciation.

Major government-wide capital asset events during the current fiscal year included the following:

- We undertook \$2,848,925 of new construction in progress which consisted of new construction in progress for renovations to the Soldiers' Monument facility, building and site improvements to Fire Station Number 3, building improvements to the Civil Preparedness building, building improvements to the Town Garage, building improvements to the Senior Citizen Center, an addition to the Gaylord Tiffany Recreation building, construction of a new Recreation maintenance building, retaining wall and sidewalk improvements on Willow and Rowley streets, enlargement and remodeling of the kitchen at the Hinsdale School, and drainage and related site work at the Batcheller School.
- We expended \$820,320 to improve our roads, sewer system, and water lines in infrastructure improvements.

Table 3. Capital Assets at Year-end (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Land.....	\$25,536,000	\$25,536,000	\$ 85,476	\$ 85,476	\$ 25,621,476	\$25,621,476
Buildings	710,694	847,838	28,468,494	29,323,600	29,179,188	30,171,438
Improvements.....	114,259	96,223	--	--	114,259	96,223
Infrastructure.....	12,914,533	12,681,161	10,588,897	10,729,691	23,503,430	23,410,852
Machinery and equipment.....	1,752,037	2,158,175	390,430	452,664	2,142,467	2,610,839
Construction in Progress....	4,583,041	1,734,116	443,538	438,690	5,026,579	2,172,806
Totals.....	<u>\$45,610,564</u>	<u>\$43,053,513</u>	<u>\$39,976,835</u>	<u>\$41,030,121</u>	<u>\$85,587,399</u>	<u>\$84,083,634</u>

Additional information on the Town of Winchester's capital assets can be found in Note 3.C., Capital Assets, of this report.

Long-term debt. At the end of the current fiscal year, the Town of Winchester had \$680,000 of general fund bonded debt and \$8,235,000 self-supporting water and sewer bonded debt outstanding. We also had \$6,399,000 of short-term bond anticipation notes (BANs) issued for a variety of capital improvements throughout the town. All outstanding bonded and long-term obligations comprise general obligation debt backed by the full faith and credit of the government. Water and sewer debt is first paid from assessments, levies, and fines, and other Water and Sewer Commission resources which have been sufficient to fully pay principal of and interest on outstanding water and sewer obligations.

Table 4. Long-Term and Short-Term Debt

<u>Bonds</u>			<u>Original</u>	<u>Debt</u>	<u>Fiscal Year</u>
<u>Date</u>	<u>Purpose</u>	<u>Rate %</u>	<u>Issue</u>	<u>Outstanding</u>	<u>Maturity</u>
11/15/88	School	6.977	\$ 7,430,000	\$ 680,000	2009
4/15/90	General Purpose (Water) ¹	6.50-8.50	2,800,000	420,000	2010
11/1/98	General Purpose (Water) ¹	3.50-5.50	1,500,000	700,000	2014
8/15/02	Sewer ¹	3.00-5.00	6,290,000	4,025,000	2022
1/15/04	General Purpose (Water) ¹	2.00-3.85	3,900,000	3,090,000	2014
	Total		\$21,920,000	\$8,915,000	

¹ Self-supporting

² USDA loan

The Town of Winchester's general fund debt decreased by \$375,000 (35.55%) during the current fiscal year. We also paid down \$950,000 of water and sewer debt (10.34%). The decreases came about through the payment of scheduled principal maturities on our outstanding bonds and loans.

The Town's credit rating from Moody's Investors Service, Inc. on its general obligation debt for the fiscal year ended June 30, 2007 was "A2".

State statutes limit the amount of general obligation debt a governmental entity may issue to 7 times its tax collections plus interest and lien fees. For June 30, 2007, the maximum amount of borrowing permitted under the formula is \$140,903,455. By statute, water debt of \$4,210,000 and future school grant reimbursements for principal of \$444,208 are excluded from the debt limit calculation. Authorized but unissued debt of \$2,366,525 is considered for purposes of the debt limit calculation. With net borrowings of \$13,026,317, our outstanding general obligation debt is \$127,877,138 below the maximum debt limitation (see "Statement of Statutory Debt Limitation" in this report).

Additional information on our long-term debt can be found in Note E., Long-Term Debt, of this document.

Economic Factors and Next Year's Budget

- The unemployment rate for Winchester was 4.8% at June 30, 2007 which is a slight drop from a rate of 4.6% one year prior. The current rate is even with the state's average unemployment rate of 4.6% and below the national average unemployment rate of 4.7%.
- Inflationary trends in the region compare favorably to the national indices.
- The budget was passed at a town-wide referendum after one attempt on May 30, 2007.

The FY 2007 – 08 budget of \$31,982,334 contemplates a \$3,003,694, or 10.37%, increase. We anticipate balancing the budget by using \$260,000 of general fund surplus. Areas of significant increase or decrease or discussed below:

Revenues

- ❖ \$722,494 from increased taxes;
- ❖ \$2,003,949 additional revenue budgeted in State of Connecticut and federal grants;
- ❖ \$277,251 from local revenues and other sources.

Expenditures

- ❖ \$840 thousand net rise in Board of Education budget due primarily to mandated increments in collective bargaining agreements;
- ❖ \$1.819 million additional capital expenditures as we continue our town-wide renovations and improvements for the following:
 - \$1.3 million Main Street Phase II;
 - \$478 thousand Small Town Economic Assistance Program (STEAP) grant to renovate East End Park.
- ❖ \$86 thousand in debt administration as we anticipate future debt service to support our expanded capital improvement program;
- ❖ \$82 thousand in miscellaneous categories to cover retiree medical benefits, heart and hypertension, and the town's portion of the business tax abatement;
- ❖ \$85 thousand more for waste disposal and recycling which reflects a normal level of expenditure as opposed to the lower level of last year when the last landfill payment was forgiven.

All of these factors were considered in preparing Winchester's budget for the 2008 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Town of Winchester's finances for all those with an interest in our finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 338 Main Street, Winsted, CT 06098.

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BASIC FINANCIAL STATEMENTS

TOWN OF WINCHESTER, CONNECTICUT

STATEMENT OF NET ASSETS

JUNE 30, 2007

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 5,414,824	\$ 624,246	\$ 6,039,070
Receivables, net of allowance:			
Property taxes	2,413,961		2,413,961
Other	2,052,581	1,051,076	3,103,657
Due from other governments	636,097		636,097
Internal balances	740,150	(740,150)	-
Other assets	219,734	242,779	462,513
Noncurrent assets:			
Capital assets, nondepreciable	30,119,041	529,014	30,648,055
Capital assets, net of accumulated depreciation	15,491,523	39,447,821	54,939,344
Total assets	<u>57,087,911</u>	<u>41,154,786</u>	<u>98,242,697</u>
Liabilities:			
Accounts payable and accrued items	1,367,422	170,458	1,537,880
Due to other governments	217,668		217,668
Interest payable	5,930		5,930
Unearned revenue	2,175,171		2,175,171
Bond anticipation notes	6,399,000		6,399,000
Noncurrent liabilities:			
Due within one year	1,098,535	983,260	2,081,795
Due in more than one year	3,164,237	7,512,004	10,676,241
Total liabilities	<u>14,427,963</u>	<u>8,665,722</u>	<u>23,093,685</u>
Net Assets:			
Invested in capital assets, net of related debt	37,596,274	31,606,447	69,202,721
Restricted	432,864		432,864
Unrestricted	<u>4,630,810</u>	<u>882,617</u>	<u>5,513,427</u>
Total Net Assets	<u>\$ 42,659,948</u>	<u>\$ 32,489,064</u>	<u>\$ 75,149,012</u>

The accompanying notes are an integral part of the financial statements

TOWN OF WINCHESTER, CONNECTICUT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

Function/Program Activities	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Board of Education	\$ 21,551,084	\$ 202,715	\$ 10,028,653	\$ 987,912	\$ (11,319,716)	\$ -	\$ (11,319,716)
Public works	3,370,104	146,010	149,781	88,069	(2,086,401)	-	(2,086,401)
Public safety	3,971,722	331,138	-	254,626	(3,552,515)	-	(3,552,515)
General government	2,571,804	234,063	-	-	(2,058,501)	-	(2,058,501)
Health	284,419	-	-	-	(284,419)	-	(284,419)
Parks and recreation	315,423	-	-	-	(315,423)	-	(315,423)
Library	191,025	-	-	-	(191,025)	-	(191,025)
Waste disposal and recycling	327,548	-	-	-	(327,548)	-	(327,548)
Interest on long-term debt	150,320	-	-	-	(150,320)	-	(150,320)
Total governmental activities	32,733,449	913,926	10,203,048	1,330,607	(20,285,868)	-	(20,285,868)
Business-type activities:							
Waterworks	1,777,621	1,561,408	-	100,727	-	(115,486)	(115,486)
Sewer	1,741,196	1,214,181	-	-	-	(527,015)	(527,015)
Total business-type activities	3,518,817	2,775,589	-	100,727	-	(642,501)	(642,501)
Total	\$ 36,252,266	\$ 3,689,515	\$ 10,203,048	\$ 1,431,334	(20,285,868)	(642,501)	(20,928,369)
General revenues:							
Property taxes					19,416,214		19,416,214
Grants and contributions not restricted to specific programs					847,448		847,448
Unrestricted investment earnings					396,785	13,447	410,232
Miscellaneous					213,563		213,563
Transfers					(218,408)	218,408	-
Total general revenues and transfers					20,655,602	231,855	20,887,457
Change in net assets					369,734	(410,646)	(40,912)
Net Assets at Beginning of Year, as Restated					42,290,214	32,899,710	75,189,924
Net Assets at End of Year					\$ 42,659,948	\$ 32,489,064	\$ 75,149,012

The accompanying notes are an integral part of the financial statements

TOWN OF WINCHESTER, CONNECTICUT

BALANCE SHEET - GOVERNMENT FUNDS

JUNE 30, 2007

	<u>General</u>	<u>Small Cities</u>	<u>Sewer Assessment</u>	<u>Capital Improvements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 3,935,300	\$ 239,082	\$	\$ 86,805	\$ 1,153,637	\$ 5,414,824
Property taxes receivable, net	699,926		1,494,290			2,194,216
Due from other governments	91,492				100,397	191,889
Other receivables	114,370	1,938,211				2,052,581
Due from other funds	1,111,705			2,324,122	267,180	3,703,007
Other assets	213,170				6,564	219,734
Total Assets	\$ 6,165,963	\$ 2,177,293	\$ 1,494,290	\$ 2,410,927	\$ 1,527,778	\$ 13,776,251
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable and accrued items	\$ 1,147,878	\$ 7,898	\$ 6,602	\$ 173,310	\$ 31,734	\$ 1,367,422
Due to other funds	2,591,302		176,723		194,832	2,962,857
Due to other governments					217,668	217,668
Deferred revenue	792,847	1,938,211	1,491,674		28,422	4,251,154
Bond anticipation notes				6,399,000		6,399,000
Total liabilities	4,532,027	1,946,109	1,674,999	6,572,310	472,656	15,198,101
Fund balances:						
Reserved:						
Encumbrances	298,934					298,934
Purpose of trust					432,864	432,864
Unreserved:						
General fund	1,121,832					1,121,832
Special revenue funds		231,184	(180,709)		562,241	612,716
Capital projects fund				(4,161,383)		(4,161,383)
Permanent fund					60,017	60,017
Designated for subsequent year's operating budget	213,170					213,170
Total fund balance	1,633,936	231,184	(180,709)	(4,161,383)	1,055,122	(1,421,850)
Total Liabilities and Fund Balance	\$ 6,165,963	\$ 2,177,293	\$ 1,494,290	\$ 2,410,927	\$ 1,527,778	\$ 13,776,251

The accompanying notes are an integral part of the financial statements

TOWN OF WINCHESTER, CONNECTICUT

RECONCILIATION OF THE BALANCE SHEET- GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

JUNE 30, 2007

Amounts reported for governmental activities in the statement of net assets (page 17) are different because of the following:

Fund balances - total governmental funds (page 19) \$ (1,421,850)

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental capital assets	\$ 67,208,719	
Less accumulated depreciation	<u>(21,598,155)</u>	
		45,610,564

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Property taxes receivable greater than 60 days	584,309
Sewer assessments receivable	1,491,674
Interest receivable on property taxes	219,745
Receivable from the state for school construction projects	444,208

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable	(680,000)
Pension obligation	(340,299)
Capital leases payable	(935,290)
Claims and judgments payable	(974,731)
Interest payable on bonds	(5,930)
Compensated absences	<u>(1,332,452)</u>

Net Assets of Governmental Activities (page 17) \$ 42,659,948

The accompanying notes are an integral part of the financial statements

TOWN OF WINCHESTER, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

	General	Small Cities	Sewer Assessment	Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes, interest and lien fees	\$ 19,601,927	\$	\$	\$	\$	\$ 19,601,927
Intergovernmental revenues	10,123,934			311,702	2,190,434	12,626,070
Other local revenues	859,054	114,775	203,794	84,287	262,364	1,524,274
Total revenues	<u>30,584,915</u>	<u>114,775</u>	<u>203,794</u>	<u>395,989</u>	<u>2,452,798</u>	<u>33,752,271</u>
Expenditures:						
Current:						
Board of Education	20,122,893				1,365,537	21,488,430
Program and project expenditures	147,044	87,483				234,527
Public safety	3,150,570					3,150,570
Public works	1,875,756				12,114	1,887,870
Miscellaneous	366,864					366,864
General government	2,466,853				323,671	2,790,524
Health	280,759					280,759
Parks and recreation	244,475					244,475
Library	191,025					191,025
Waste disposal and recycling	327,548					327,548
Debt service:						
Principal retirement	375,000					375,000
Interest	61,593		91,998			153,591
Capital outlay	686,749			3,020,378	648,867	4,355,994
Total expenditures	<u>30,297,129</u>	<u>87,483</u>	<u>91,998</u>	<u>3,020,378</u>	<u>2,350,189</u>	<u>35,847,177</u>
Excess (Deficiency) of Revenues over Expenditures	287,786	27,292	111,796	(2,624,389)	102,609	(2,094,906)
Other Financing Sources (Uses):						
Issuance of capital lease	26,973					26,973
Transfers in	156,249				179,781	336,030
Transfers out	(179,781)		(218,408)	(152,123)	(4,126)	(554,438)
Net Change in Fund Balances	291,227	27,292	(106,612)	(2,776,512)	278,264	(2,286,341)
Fund Balances at Beginning of Year	<u>1,342,709</u>	<u>203,892</u>	<u>(74,097)</u>	<u>(1,384,871)</u>	<u>776,858</u>	<u>864,491</u>
Fund Balances at End of Year	<u>\$ 1,633,936</u>	<u>\$ 231,184</u>	<u>\$ (180,709)</u>	<u>\$ (4,161,383)</u>	<u>\$ 1,055,122</u>	<u>\$ (1,421,850)</u>

The accompanying notes are an integral part of the financial statements

TOWN OF WINCHESTER, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2007

Amounts reported for governmental activities in the statement of activities (page 18) are different because of the following:

Net change in fund balances - total governmental funds (page 21)	\$ (2,286,341)
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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.

Expenditures for capital assets	3,792,415
Less current year depreciation	(1,235,364)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes collected after 60 days	(7,177)
Sewer assessment revenue	(122,710)
Interest income on property taxes	(55,826)
Intergovernmental revenue on school bonds	(244,967)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

Principal payments	739,986
Capital lease proceeds	(26,973)
Accrued interest	3,270

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

Pension obligation	(100,767)
Claims and judgments	(3,128)
Change in long-term compensated absences	<u>(82,684)</u>

Change in Net Assets of Governmental Activities (page 18)	\$ <u>369,734</u>
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The accompanying notes are an integral part of the financial statements

TOWN OF WINCHESTER, CONNECTICUT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Property taxes, interest and lien fees	\$ 19,728,782	\$ 19,728,782	\$ 19,601,927	\$ (126,855)
Intergovernmental revenues	8,433,256	8,433,256	8,713,673	280,417
Other local revenues	810,602	810,602	859,054	48,452
Total revenues	28,972,640	28,972,640	29,174,654	202,014
Expenditures:				
Current:				
Board of Education	18,876,325	18,876,325	18,826,562	49,763
Program and project expenses	147,044	147,044	147,044	-
Public safety	2,958,477	3,054,016	3,164,361	(110,345)
Public works	2,086,743	1,956,036	1,867,282	88,754
Miscellaneous	387,457	342,652	366,864	(24,212)
General government	2,250,559	2,451,977	2,505,719	(53,742)
Health	322,338	322,338	280,759	41,579
Parks and recreation	233,698	235,435	243,907	(8,472)
Library	191,025	191,025	191,025	-
Waste disposal and recycling	436,730	327,548	327,548	-
Debt service	436,593	436,593	436,593	-
Capital outlay	473,778	473,778	714,331	(240,553)
Total expenditures	28,800,767	28,814,767	29,071,995	(257,228)
Excess of Revenues over Expenditures	171,873	157,873	102,659	(55,214)
Other Financing Sources (Uses):				
Transfers in	6,000	6,000	156,249	150,249
Transfers out	(177,873)	(177,873)	(179,781)	(1,908)
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	\$ -	\$ (14,000)	79,127	\$ 93,127
Fund Balance at Beginning of Year			1,255,875	
Fund Balance at End of Year			\$ 1,335,002	

The accompanying notes are an integral part of the financial statements

TOWN OF WINCHESTER, CONNECTICUT
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

JUNE 30, 2007

	<u>Waterworks</u>	<u>Sewer</u>	<u>Total</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 54,583	\$ 569,663	\$ 624,246
Rents and assessments receivable, net	266,432	180,257	446,689
Prepaid items	7,685	-	7,685
Due from other funds	-	480,359	480,359
Accrued utility revenue	371,058	233,329	604,387
Total current assets	699,758	1,463,608	2,163,366
Noncurrent assets:			
Nondepreciable capital assets	501,094	27,920	529,014
Capital assets, net of accumulated depreciation	17,307,590	22,140,231	39,447,821
Unamortized bond costs, net	87,224	147,870	235,094
Total noncurrent assets	17,895,908	22,316,021	40,211,929
Total assets	18,595,666	23,779,629	42,375,295
Liabilities:			
Current liabilities:			
Accounts payable and accrued items	109,589	60,869	170,458
Due to other funds	524,866	695,643	1,220,509
Current portion of long-term debt	534,725	448,535	983,260
Total current liabilities	1,169,180	1,205,047	2,374,227
Noncurrent liabilities:			
Compensated absences	50,342	46,274	96,616
Bonds payable after one year	3,734,518	3,680,870	7,415,388
Total noncurrent liabilities	3,784,860	3,727,144	7,512,004
Total liabilities	4,954,040	4,932,191	9,886,231
Net Assets:			
Invested in capital assets, net of related debt	13,554,166	18,052,281	31,606,447
Unrestricted	87,460	795,157	882,617
Total Net Assets	\$ 13,641,626	\$ 18,847,438	\$ 32,489,064

The accompanying notes are an integral part of the financial statements

TOWN OF WINCHESTER, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Waterworks</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 1,519,150	\$ 1,049,905	\$ 2,569,055
Fines, penalties and interest	40,994	34,503	75,497
Other	1,264	129,773	131,037
Total operating revenues	<u>1,561,408</u>	<u>1,214,181</u>	<u>2,775,589</u>
Operating Expenses:			
Operations	706,335	810,061	1,516,396
Maintenance	211,233	80,234	291,467
Depreciation expense	537,477	705,897	1,243,374
Administration	159,992	78,441	238,433
Total operating expenses	<u>1,615,037</u>	<u>1,674,633</u>	<u>3,289,670</u>
Operating Loss	<u>(53,629)</u>	<u>(460,452)</u>	<u>(514,081)</u>
Nonoperating Revenues (Expenses):			
Income on investments	900	12,547	13,447
Interest expense	(162,584)	(66,563)	(229,147)
Federal and state grants	100,727		100,727
Net nonoperating revenues (expenses)	<u>(60,957)</u>	<u>(54,016)</u>	<u>(114,973)</u>
Loss Before Transfers	(114,586)	(514,468)	(629,054)
Transfers In		<u>218,408</u>	<u>218,408</u>
Change in Net Assets	(114,586)	(296,060)	(410,646)
Net Assets at Beginning of Year	<u>13,756,212</u>	<u>19,143,498</u>	<u>32,899,710</u>
Net Assets at End of Year	<u>\$ 13,641,626</u>	<u>\$ 18,847,438</u>	<u>\$ 32,489,064</u>

The accompanying notes are an integral part of the financial statements

TOWN OF WINCHESTER, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Waterworks</u>	<u>Sewer</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 1,505,689	\$ 1,191,940	\$ 2,697,629
Receipts from interfund services	280,529		280,529
Payments for interfund services		(173,516)	(173,516)
Payments to employees	(152,524)	(68,324)	(220,848)
Payments to suppliers	(928,262)	(906,682)	(1,834,944)
Net cash provided by operating activities	705,432	43,418	748,850
Cash Flows from Noncapital Financing Activities:			
Transfers in		218,408	218,408
Net cash provided by noncapital financing activities	-	218,408	218,408
Cash Flows from Capital and Related Financing Activities:			
Grants received from state and federal governments	100,727		100,727
Principal payments on bonds payable	(525,000)	(425,000)	(950,000)
Interest paid on bonds payable	(158,701)	(62,763)	(221,464)
Additions to capital assets	(111,848)	(78,237)	(190,085)
Net cash used in capital and related financing activities	(694,822)	(566,000)	(1,260,822)
Cash Flows from Investing Activities:			
Interest on investments	900	12,547	13,447
Net cash provided by investing activities	900	12,547	13,447
Net Increase (Decrease) in Cash and Cash Equivalents	11,510	(291,627)	(280,117)
Cash and Cash Equivalents at Beginning of Year	43,073	861,290	904,363
Cash and Cash Equivalents at End of Year	\$ 54,583	\$ 569,663	\$ 624,246
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ (53,629)	\$ (460,452)	\$ (514,081)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	537,477	705,897	1,243,374
Change in assets and liabilities:			
(Increase) decrease in rents receivable	(47,888)	(19,820)	(67,708)
(Increase) decrease in accrued utility revenue	(7,830)	(2,422)	(10,252)
(Increase) decrease in prepaid items	(5,765)	-	(5,765)
(Increase) decrease in amounts due from other funds	9,087	(108,756)	(99,669)
Increase (decrease) in accounts payable and accrued expenses	(4,928)	(16,208)	(21,136)
Increase (decrease) in accrued vacation and sick leave benefits	7,466	9,939	17,405
Increase (decrease) in amounts due to other funds	271,442	(64,760)	206,682
Total adjustments	759,061	503,870	1,262,931
Net Cash Provided by Operating Activities	\$ 705,432	\$ 43,418	\$ 748,850

The accompanying notes are an integral part of the financial statements

TOWN OF WINCHESTER, CONNECTICUT

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

JUNE 30, 2007

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
Assets:		
Cash and cash equivalents	\$ 866,779	\$ 59,333
Investments, at fair value:		
U.S. Government obligations	1,530,228	
Domestic corporate bonds	171,534	
Short-term investments	4,363,812	
Total investments	<u>6,065,574</u>	<u>-</u>
Accrued income	<u>30,329</u>	
Total assets	<u><u>6,962,682</u></u>	<u><u>59,333</u></u>
Liabilities:		
Fiduciary deposits		59,333
Total liabilities	<u>-</u>	<u><u>59,333</u></u>
Net Assets:		
Held in Trust for Pension Benefits and Other Purposes	<u><u>\$ 6,962,682</u></u>	

The accompanying notes are an integral part of the financial statements

TOWN OF WINCHESTER, CONNECTICUT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Pension Trust Fund
Additions:	
Contributions:	
Employer	\$ 241,071
Plan members	112,393
Total contributions	<u>353,464</u>
Investment earnings:	
Net increase in fair value of investments	427,461
Interest	366,776
Net investment earnings	<u>794,237</u>
Total additions	<u>1,147,701</u>
Deductions:	
Benefits	362,305
Administrative expenses	11,713
Total deductions	<u>374,018</u>
Change in net assets	773,683
Net Assets at Beginning of Year	<u>6,188,999</u>
Net Assets at End of Year	<u>\$ 6,962,682</u>

The accompanying notes are an integral part of the financial statements

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town of Winchester, Connecticut, was incorporated in 1771. The Town operates under a Selectmen-Town Manager form of government and provides the following services as authorized by its charter: public safety, public works, health, welfare, parks, recreation, and elementary and secondary education. The financial statements include all of the funds of the Town that meet the criteria for inclusion as set forth in Statement of Governmental Accounting Standards No. 14 issued by the Governmental Accounting Standards Board.

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government and its component units, entities for which the government is considered to be financially accountable, all organizations for which the primary government is financially accountable, and other organizations which by the nature and significance of their relationship with the primary government would cause the financial statements to be incomplete or misleading if excluded. Blended component units, although legally separate entities, are, in substance, part of the government's operations; therefore, data from these units are combined with data of the primary government. Based on these criteria, there are no component units requiring inclusion in these financial statements.

The Winchester Housing Authority has been determined to be a related organization of the Town of Winchester, Connecticut, as the governing body of the Authority is appointed by the Town. The Authority is not included in this report, as the Town is not obligated to finance any deficit that the Authority may incur, nor does the Town significantly subsidize the Authority; the Town obtains no financial benefit, nor can it impose its will upon the Authority.

B. Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, with the exception of the agency funds which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance. Revenues are recognized when the eligibility requirements have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Small Cities Fund* is used to account for federal grant revenues from the U.S. Department of Housing and Urban Development and subsequent loans to entities for various grant years.

The *Sewer Assessment Fund* is used to account for the sewer assessment revenues and expenditures related to the Highland Lake sewer project.

The *Capital Improvements Fund* is used to account for various long-term capital projects.

The Town reports the following major proprietary funds:

The *Waterworks Fund* is used to account for the financial operations of the Winsted Waterworks. All necessary activities to provide such services are included in this fund, including, but not limited to, administration, operations, maintenance, financing and billing and collection. Also included in this fund is the water treatment plant project. The Board of Selectmen, as empowered by the Town Charter, acts as the Water Board and oversees the operation of the Winsted Waterworks.

The *Sewer Fund* is used to account for the financial operations of the Town's sewer utility. All activities necessary to provide such services are included in this fund, including, but not limited to, administration, operations, maintenance, financing and billing and collection. Also included in this fund are the inflow/infiltration analysis program, the wastewater treatment plant project and the Highland Lake sewer project. Authority over the operations of the Sewer Fund is with the Water Pollution Control Authority.

Additionally, the Town reports the following fund types:

The *Pension Trust Fund* is used to account for the activities of the Town's defined benefit plan which accumulates resources for pension benefit payments to qualified employees.

The *Agency Funds* account for monies held by the Town as a custodian for outside student and municipal groups.

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Cash Equivalents

For purposes of reporting cash flows, all savings, checking, money market accounts and certificates of deposit with an original maturity of less than 90 days are considered to be cash equivalents.

D. Investments

Investments are stated at fair value.

E. Inventories

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles.

G. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Town has included infrastructure acquired prior to fiscal years ended after June 30, 1980.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment and infrastructure of the Town are depreciated using the straight-line method over the following estimated useful lives.

<u>Assets</u>	<u>Years</u>
Buildings, structures and improvements	50
Equipment	7-15
Distribution reservoirs and standpipes	50
Infrastructure	7-100

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

H. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources, and discounts are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds, are reported as debt service expenditures.

I. Compensated Absences

A limited amount of vacation earned may be accumulated by employees until termination of their employment, at which time they are paid for accumulated vacation. Sick leave may be accumulated by employees in accordance with union contracts until retirement, termination or death, at which time they are paid for a percentage of their accumulated sick leave.

All vacation and sick pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. Equity

Equity in the government-wide financial statements is defined as "net assets" and is classified in the following categories:

Invested in Capital Assets, Net of Related Debt - This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Assets - Net assets are restricted because they are externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Town currently has no assets under restriction.

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Unrestricted Net Assets - This component consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The equity of the fund financial statements is defined as "fund balance" and is classified in the following categories:

Reserved Fund Balance - A portion of fund balance that is not available for appropriation or is legally restricted by outside parties for use for a specific purpose.

Designated Fund Balance - Represents tentative management plans that are subject to change.

Unreserved Fund Balance - Serves as a measure of current available financial resources.

K. Property Taxes

The Town's property tax is levied each July 1 on the assessed value as of the prior October 1 for all real property, motor vehicles and commercial personal property located in the Town. Assessed values are established by the Town Assessment Board at 70% of estimated market value. A revaluation of all real property is required to be completed every four years. The Town revalued its property as of October 1, 2002. The Town's property tax is levied each June on the assessed value listed on the prior October 1 Grand List for all taxable property located in the Town. A mill rate was applied to the Grand List. Taxes not paid within 30 days of the due date are subject to an interest charge of 1.5% per month. Liens are placed on delinquent accounts in June following the levy date.

Taxes are due in two equal installments on the July 1 and January 1 following the levy date, although a 30-day grace period is provided. Uncollected property taxes are recorded as receivables, net of an allowance for estimated uncollectible accounts.

Property tax revenues are recognized when they become available. Available means due or past due and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The Town defines the current period to mean within 60 days after year-end. Property taxes receivable not expected to be collected during the available period are reflected in deferred revenue in the fund financial statements. The entire receivable is recorded as revenue in the government-wide financial statements. Property taxes collected prior to June 30 that are applicable to the subsequent years' assessment are reflected as advance tax collections in both the fund financial statements and the government-wide financial statements.

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

L. Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets for the General Fund, Dog Fund and Town Aid Roads Fund are authorized annually by the Board of Selectmen. Annual budgets are not adopted for Special Revenue Funds other than the Town Aid Roads Fund and the Dog Fund and, accordingly, are not included in the government-wide financial statements.

Program budgets are established for funds not budgeted annually. The procedures for establishing the budgetary data reflected in the financial statements are as follows:

- 1) Prior to March 15, the Town Manager submits to the Board of Selectmen a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted at locations throughout the Town to obtain taxpayer comments.
- 3) The budget is legally enacted at the annual Town budget meeting by vote of the general public.
- 4) Upon the request of the Town Manager, but only within the last three months of the fiscal year, only the Board of Selectmen may, by resolution, transfer any unencumbered appropriation, balance or portion thereof from one department, commission, board or office to another. Management cannot amend the budget.
- 5) The control level on which expenditures may not legally exceed appropriations is the departmental level. Management can transfer amounts within a department. Unencumbered appropriations lapse at the close of the fiscal year, except for those appropriations which are made for capital improvements.

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The budgets are prepared on a modified accrual basis of accounting except for encumbrances. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order is issued and, accordingly, encumbrances outstanding at year-end are reflected in budgetary reports as expenditures in the current year.

Encumbrance accounting is employed in the governmental funds. Open encumbrances are reported as reservations of fund balances since the commitments will be honored in subsequent years. Encumbrances do not constitute expenditures or liabilities.

Budgeted amounts are as originally adopted, or as amended by the Board of Selectmen. Appropriations in the amount of \$14,000 were made for the year ended June 30, 2007.

The accompanying statement of revenues, expenditures and changes in fund balances - budget and actual - General Fund - non-GAAP budgetary basis presents comparisons of the legally adopted budget with actual data on a budgetary basis. Since the accounting for encumbrances for purposes of developing data on a budgetary basis differs from that used to present financial statements in conformity with GAAP, a reconciliation of the resultant differences in excess of revenues and other sources over expenditures and other uses for the year ended June 30, 2007 is presented below:

	<u>General Fund</u>
Excess of revenues and other sources over expenditures and other uses for budgeted funds - budgetary basis	\$ 79,127
Timing difference: Change in reserve for encumbrances	<u>212,100</u>
Net Change in Fund Balance - GAAP Basis	<u>\$ 291,227</u>

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2007, expenditures exceeded appropriations in the General Fund at the following departmental levels:

Treasurer	\$ 1,440
Accounting Department	8,091
Election expenditures	4,930
Insurance	113,321
Town Manager	2,680
Building Department	491
Inland Wetland Commission	384
Vacation and sick pay accrual	16,156
Planning and Community Development	165
Miscellaneous	24,212
Police Department	129,998
Civil Preparedness	633
Streetlighting	2,876
Park and Recreation Department	8,472
Capital outlay	240,553
Transfers out	1,908

These overexpenditures were funded by greater than anticipated revenues and available fund balance.

C. Deficit Fund Equity

The Sewer Assessment Fund, Dog Fund, Brownfields Pilot Program and Capital Improvements Fund had deficit fund balances of \$180,709, \$47,501, \$20,058 and \$4,161,383, respectively. These amounts will be funded through contributions and future revenues.

3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposit Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits will not be returned. The Town does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut.

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$2,519,346 of the Town's bank balance of \$2,812,869 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 2,247,412
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>271,934</u>
Total Amount Subject to Custodial Credit Risk	\$ <u>2,519,346</u>

Investments

As of June 30, 2007, the Town had the following investments:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturities (Years)</u>		
			<u>Less Than 1</u>	<u>1 - 10</u>	<u>More Than 10</u>
U.S. Treasury bonds	Aaa	\$ 487,419	\$ 314,064	\$ 173,355	\$ -
U.S. Treasury notes	Aaa	622,421		622,421	
U.S. Agency guaranteed	Aaa	151,454		151,454	
U.S. asset and mortgage backed	Aaa	268,934		268,934	
Domestic corporate bonds - Pepsico Inc.	A+	75,188	75,188		
Domestic corporate bonds - Procter & Gamble Co.	AA-	96,346		96,346	
Mutual funds	n/a	4,363,812	4,363,812		
Money market funds	n/a	4,441,429	4,441,429		
Reich & Tang	AAAm	<u>28,860</u>	<u>28,860</u>		
Total Investments		\$ <u>10,535,863</u>	\$ <u>9,223,353</u>	\$ <u>1,312,510</u>	\$ <u>-</u>

n/a – not applicable

Investment Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Reich & Tang investments are 2a-7 like pools.

Credit Risk - The Town has no investment policy that would limit its investment choices due to credit risk other than State Statutes governing investments in obligations of any State or political subdivision or in obligations of the State of Connecticut or political subdivision.

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Concentration of Credit Risk - The Town places no limit on the amount invested in any one issuer. More than 5% of the Town's investments were invested in U.S. Treasury Notes for \$622,421.

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

Temporary investments are stated at cost which approximates fair value, corporate and government obligations are carried at amortized cost which approximates fair value, and investments in mutual funds are carried at fair value. Pension Trust Fund investments are carried at fair value. Investments maturing within one year of acquisition are stated at amortized cost.

The Connecticut General Statutes authorize the Town to invest in obligations of the United States Treasury and its agencies and instrumentalities, certificates of deposit, commercial paper, savings accounts, bank acceptances and repurchase agreements. The Town's Pension Board of Directors determines in which instruments the Plan's trustee can invest.

B. Receivables

Taxes receivable at year end for the General Fund were \$699,926, which is reported net of an allowance of \$39,000. Rents receivable in the Waterworks Enterprise Fund were \$266,432, which is reported net of an allowance of \$8,671 for uncollectible accounts.

Governmental funds report deferred revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
General Fund:		
Delinquent property taxes receivable	\$ 584,309	\$
Prepaid taxes		51,141
Donations		127,397
Grant		30,000
Small Cities:		
Grant		1,938,211
Sewer Assessment:		
Delinquent assessment taxes receivable	1,491,674	
Other Governmental Funds		
Education grants		26,896
Other grants		1,526
Total Deferred/Unearned Revenue for Governmental Funds	\$ 2,075,983	\$ 2,175,171

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

C. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Beginning Balance*	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 25,536,000	\$	\$	\$ 25,536,000
Construction in progress	1,734,116	2,848,925		4,583,041
Total capital assets not being depreciated	27,270,116	2,848,925	-	30,119,041
Capital assets being depreciated:				
Buildings	3,613,640			3,613,640
Improvements	1,079,868	39,540		1,119,408
Machinery and equipment	6,574,086	83,630		6,657,716
Infrastructure	24,878,594	820,320		25,698,914
Total capital assets being depreciated	36,146,188	943,490	-	37,089,678
Less accumulated depreciation for:				
Buildings	2,765,802	137,144		2,902,946
Improvements	983,645	21,504		1,005,149
Machinery and equipment	4,415,911	489,768		4,905,679
Infrastructure	12,197,433	586,948		12,784,381
Total accumulated depreciation	20,362,791	1,235,364	-	21,598,155
Total capital assets being depreciated, net	15,783,397	(291,874)	-	15,491,523
Governmental Activities Capital Assets, Net	\$ 43,053,513	\$ 2,557,051	\$ -	\$ 45,610,564
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 85,476	\$	\$	\$ 85,476
Construction in progress	438,690	4,848		443,538
Total capital assets not being depreciated	524,166	4,848	-	529,014
Capital assets being depreciated:				
Buildings and improvements	42,372,184	14,196		42,386,380
Machinery and equipment	894,936	6,740		901,676
Infrastructure	14,937,010	164,306		15,101,316
Total capital assets being depreciated	58,204,130	185,242	-	58,389,372
Less accumulated depreciation for:				
Buildings and improvements	13,048,584	869,302		13,917,886
Machinery and equipment	442,272	68,974		511,246
Infrastructure	4,207,319	305,100		4,512,419
Total accumulated depreciation	17,698,175	1,243,376	-	18,941,551
Total capital assets being depreciated, net	40,505,955	(1,058,134)	-	39,447,821
Business-Type Activities Capital Assets, Net	\$ 41,030,121	\$ (1,053,286)	\$ -	\$ 39,976,835

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*The beginning balance of the governmental activities capital assets has been restated due to the retroactive capitalization of infrastructure at July 1, 2006. See Note 6 for further information.

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

Governmental activities:

General government	\$	68,203
Public safety		117,307
Public works		936,303
Education		62,654
Parks and recreation		<u>50,897</u>

Total Depreciation Expense - Governmental Activities	\$	<u>1,235,364</u>
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Business-type activities:

Water	\$	537,477
Sewer		<u>705,897</u>

Total Depreciation Expense - Business-Type Activities	\$	<u>1,243,374</u>
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Construction Commitments

The Town has active construction projects as of June 30, 2007. The projects include water and drainage projects and the enhancement of Main Street. At year-end, the Town's commitments with contractors are as follows:

	<u>Spent to Date</u>		<u>Remaining Commitment</u>
Main Street Enhancement	\$ 875,414	\$	30,896
Soldiers Monument Building	93,789		47,636
Batcheller School Drainage	394,470		20,763
Willow Street Retaining Wall	413,877		52,029
Hinsdale School Kitchen	<u>535,086</u>		<u>28,155</u>
 Total	 \$ <u>2,312,636</u>	 \$	 <u>179,479</u>

The commitments are being financed with general obligation bonds, bond anticipation notes, and State and Federal grants.

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

D. Interfund Receivables, Payables and Transfers

Interfund receivables and payables are a result of temporary loans and/or advances to various funds. The composition of interfund balances as of June 30, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Sewer Fund	\$ 695,643
	Nonmajor Governmental Funds	144,620
	Waterworks Fund	271,442
		<u>1,111,705</u>
Capital Improvements	General Fund	<u>2,324,122</u>
Nonmajor Governmental Funds	General Fund	<u>267,180</u>
Sewer Fund	Waterworks Fund	253,424
	Sewer Assessment Fund	176,723
	Nonmajor Governmental Funds	50,212
		<u>480,359</u>
Total		<u>\$ 4,183,366</u>

Transfers are used to account for the financing by the General Fund of various programs and activities in other funds and bond payments in the Sewer Fund paid from sewer assessments. Interfund transfers that occurred during the year are as follows:

	<u>Transfers In</u>			<u>Total Transfers In</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Sewer Fund</u>	
Transfers out:				
General Fund	\$	\$ 179,781	\$	\$ 179,781
Sewer Assessment Fund			218,408	218,408
Capital Improvements Fund	152,123			152,123
Nonmajor Governmental Funds	<u>4,126</u>			<u>4,126</u>
Total Transfers Out	<u>\$ 156,249</u>	<u>\$ 179,781</u>	<u>\$ 218,408</u>	<u>\$ 554,438</u>

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

E. Long-Term Debt

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General obligation bonds	\$ 1,055,000	\$	\$ 375,000	\$ 680,000	\$ 350,000
Capital leases	1,273,302	26,973	364,985	935,290	321,788
Compensated absences	1,249,768	393,821	311,137	1,332,452	326,861
Claims and judgments	971,603	3,128		974,731	99,886
Pension obligation	<u>239,532</u>	<u>100,767</u>		<u>340,299</u>	
Total Governmental Activities Long-Term Liabilities	<u>\$ 4,789,205</u>	<u>\$ 524,689</u>	<u>\$ 1,051,122</u>	<u>\$ 4,262,772</u>	<u>\$ 1,098,535</u>
Business-Type Activities:					
Bonds payable:					
General obligation bonds	\$ 9,185,000	\$	\$ 950,000	\$ 8,235,000	\$ 955,000
Plus deferred amounts:					
Issuance premiums on refunding	<u>145,493</u>		<u>10,106</u>	<u>135,388</u>	
Total bonds payable	<u>9,330,493</u>		<u>960,106</u>	<u>8,370,388</u>	<u>955,000</u>
Compensated absences	<u>107,470</u>	<u>59,706</u>	<u>42,300</u>	<u>124,876</u>	<u>28,260</u>
Total Business-Type Activities Long-Term Liabilities	<u>\$ 9,437,963</u>	<u>\$ 59,706</u>	<u>\$ 1,002,406</u>	<u>\$ 8,495,264</u>	<u>\$ 983,260</u>

For the governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have also been issued for business-type activities. During the year, no general obligation bonds were issued.

General obligation bonds are direct obligations of the Town for which full faith and credit are pledged and are payable from taxes levied on all taxable properties located within the Town. School building grants of \$444,208 will be used to repay respective debt; however, the Town is liable for all outstanding bonds. General obligation bonds currently outstanding are as follows:

	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Annual Principal</u>	<u>Principal Outstanding June 30, 2007</u>
<u>General Purposes:</u>						
Public improve- ments:						
School renovations	11/15/88	\$ 7,430,000	6.9-7.1%	11/15/08	\$ 350,000 - 330,000	\$ <u>680,000</u>
<u>Water and Sewer:</u>						
General					490,000 -	
Refunding	8/15/02	6,290,000	2%-5%	6/1/22	150,000	4,025,000
Water revenue	4/15/90	2,800,000	6.6-7%	4/16/10	140,000	420,000
General					290,000 -	
Refunding	1/15/04	3,900,000	2%-4%	8/1/18	235,000	3,090,000
Water mains	11/1/98	1,500,000	3.5-5.5%	11/1/13	100,000	700,000
						<u>8,235,000</u>
						<u>\$ 8,915,000</u>

All bonds are general obligation bonds secured by the general revenue raising powers of the Town, and payment will be provided by General Fund revenues, except for Proprietary Fund type bonds, which are expected to be paid from the receipts of the related fund, and Highland Lake Sewer Fund bonds, which are expected to be paid by revenues of the Sewer Assessment Fund.

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Annual debt service requirements to maturity for general obligation bonds are as follows:

	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 350,000	\$ 35,855	\$ 955,000	\$ 306,155
2009	330,000	11,715	935,000	272,106
2010			935,000	231,994
2011			785,000	198,428
2012			765,000	172,774
2013-2017			2,585,000	516,710
2018-2022			1,275,000	126,183
Total	\$ 680,000	\$ 47,570	\$ 8,235,000	\$ 1,824,350

Authorized But Unissued Bonds

The Town has the following authorized but unissued bonds at June 30, 2007:

Project	Total Authorized	Amount Issued
Town Facilities Improvements	\$ 1,970,085	\$ 1,884,000
Public Safety	810,920	793,238
Road Work, Drainage and Sidewalks	2,353,325	2,228,117
Education	1,093,445	1,085,791
Sewer	1,362,750	407,854
Division Street Bridge	1,175,000	-
Total	\$ 8,765,525	\$ 6,399,000

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

F. Leases

Capital Leases

The Town has entered into lease agreements as lessee for financing the acquisition of police and public works vehicles and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Equipment	\$ 1,832,965
Less accumulated depreciation	<u>404,906</u>
Total	<u>\$ 1,428,059</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2007 were as follows:

	<u>Governmental Activities</u>
Year ending June 30:	
2008	\$ 352,472
2009	240,669
2010	183,361
2011	183,361
2012	25,094
2013	<u>25,094</u>
	1,010,051
Less amount representing interest	<u>74,761</u>
Present Value of Minimum Lease Payments	<u>\$ 935,290</u>

G. Short-Term Obligations - Bond Anticipation Notes

The Town uses bond anticipation notes during the construction period of various public projects prior to the issuance of the bonds at the completion of the project.

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Bond anticipation note transactions for the year ended June 30, 2007 were as follows:

Outstanding, June 30, 2006	\$ 4,515,000
New borrowings	6,399,000
Repayments	<u>(4,515,000)</u>
Outstanding, June 30, 2007	<u>\$ 6,399,000</u>

The bond anticipation note outstanding on June 30, 2007 was issued on November 16, 2006, matures on November 15, 2007 and bears interest at 3.66%

4. EMPLOYEE RETIREMENT PLAN

A. Pension Trust Fund

The Town of Winchester is the administrator of a single-employer public employee retirement system (PERS) established and administered by the Town to provide pension benefits for its municipal employees. The PERS is considered to be part of the Town of Winchester's financial reporting entity and is included in the Town's financial reports as a Pension Trust Fund. The plan does not issue a stand-alone financial report.

The Town of Winchester Employees' Retirement Fund covers all eligible employees of the Town. The Town provides all retirement, death and disability benefits through a single employer, contributory defined benefit plan. Under the plan, all full-time employees paid from the General Fund of the Town who elect to make employee contributions after six months of employment are eligible to join. Police officers covered by MERF B, employees covered by the State of Connecticut Teachers Retirement Plan and alternate funding source employees are not eligible to participate in this plan.

Employees are 100% vested after five years of continuous service if their contributions remain in the fund upon termination. Employees who retire at normal retirement (the later of age 65 or 5 years of service for the Board of Education, 75 for others) receive a retirement benefit for life of 2% times years of credited service (maximum of 25 for the Board of Education, 35 for others) of the highest average three consecutive years of compensation out of the last ten prior to retirement. No cost of living adjustments are included. Members' contributions are returnable on termination or on death while active, or after retirement (less any benefits paid), provided in each case that no death benefits are otherwise paid.

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Plan membership consisted of the following at January 1, 2006, the date of the latest actuarial valuation:

Retirees, disabled and beneficiaries currently receiving benefits	29
Terminated employees entitled to benefits but not yet receiving them	7
Current plan members	<u>62</u>
Total	<u>98</u>

Summary of Significant Accounting Policies

Basis of Accounting: The Town of Winchester Pension Plan's financial statements are prepared using the accrual basis of accounting. Plan member and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments: All funds are invested and administered through Fleet Bank, sole Trustee, and are reported at fair value. Investment income is recognized as earned.

Contributions

Plan participants are required to contribute to the Plan 5% (2.5% for the Board of Education) of their earnings up to the Social Security base and 5% of earnings over the Social Security base. The Town is required by its Charter to contribute the remaining amounts necessary to fund the Plan. For the year ended June 30, 2007, the Town's required contribution was \$352,407, which represents 13% of covered payroll.

Administrative costs of the Plan are financed through investment earnings.

Concentrations

Those investments in any organization that represent 5% or more of net assets available for benefits at June 30, 2007 are as follows:

Bank of America:	
Fidelity Institutional Fund #59	\$ 866,779
Columbia Disciplined Value Fund Class Z	1,406,657
Columbia Short Term Bond Fund Class Z	534,985
Columbia Large Capital Growth Fund Class Z	1,349,175

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Annual Pension Cost and Net Pension Obligations

The Town's annual pension cost and net pension obligation to the Town of Winchester Employees' Retirement Fund for the year ended June 30, 2007 were as follows:

Annual required contribution (ARC)	\$	352,407
Interest on net pension obligation		19,163
Adjustment to annual required contribution		<u>(19,698)</u>
Annual pension cost		351,872
Contributions made**		<u>251,105</u>
Increase in net pension obligation		100,767
Net pension obligation, beginning of year		<u>239,532</u>
Net Pension Obligation, End of Year	\$	<u><u>340,299</u></u>

** Contribution will be made prior to June 30, 2008.

The annual required contribution for the current year was determined as part of the January 1, 2006 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) an 8% investment rate of return and (b) 4% projected salary increases. Both (a) and (b) included an inflation component of 3.5%. The assumptions did not include cost of living increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The remaining amortization period for benefit improvements as of January 1, 2006 is 30 years, open method, on a level-dollar basis.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/05	\$ 276,348	\$ 240,816	87.1%	\$ 173,340
6/30/06	310,264	243,072	78.3	239,532
6/30/07	351,872	251,105**	71.4	340,299

** Contribution will be made prior to June 30, 2008.

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

B. Teachers

Teachers participate in a contributory defined-benefit plan established under Chapter 167a of the Connecticut General Statutes and administered by the Connecticut State Teachers' Retirement Board. Full-time certified teachers are vested in the system after ten years of service in this state.

All certified teachers are eligible to participate in the plan and are required to contribute 7% of their annual earnings. The Board of Education does not contribute to the plan. Prior to July 1, 1989, teachers were vested in their contributions up to 5% of their earnings prior to five years of service. After five years of service teachers were fully vested in their own contributions. After ten years of service teachers are fully vested and entitled to a monthly pension benefit that is payable at the age of 60. The State of Connecticut contributes amounts based on the actuarial reserve basis described in C.G.S. Sections 10-183 b(7).

The State's contribution to the plan on behalf of the Town for the fiscal year ended June 30, 2007 was \$733,387 and is recognized in the governmental funds GAAP-basis income statement. For the year ended June 30, 2007, teachers of the Town contributed \$423,332 to the plan, and covered payroll for the year was \$5,839,062.

Effective July 1, 1989, 1% of the mandatory 7% contribution is placed into a fund from which retirees' health insurance premiums will be paid. This 1% contribution is no longer credited to the member's individual account and does not vest.

C. Municipal Employees' Retirement System

Plan Description

All Town employees not covered by the Town pension plan or the teacher retirement system participate in the Municipal Employees' Retirement System (MERS). MERS is a cost-sharing, multiple employer public employee retirement system (PERS) defined benefit plan established by the State of Connecticut and administered by the State Retirement Commission to provide retirement and disability benefits, annual cost-of-living adjustments and death benefits to the employees and beneficiaries of participating municipalities. Chapter 113 Part II of the General Statutes of Connecticut, which can be amended by legislative action, establishes PERS benefits, member contribution rates and other plan provisions. MERS is considered to be a part of the State of Connecticut's financial reporting entity and is included in the State's financial report as a pension trust fund. MERS issues a financial report that may be obtained by writing to the State of Connecticut, Office of the State Comptroller, Municipal Employees' Retirement Fund, 55 Elm Street, Hartford, CT 06106.

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Contributions Required and Contributions Made

Each participating municipality is required by State Statute to pay an actuarially determined percentage of covered payroll to provide for benefits based on current service. This percentage varies by police and fire versus general city employees, and within those two groups, with versus without Social Security. The Statute also requires each municipality to pay an annual amount for benefits based on service prior to the unit's date of participation. This amount is a level dollar amortization (including interest and principal) over varying time periods depending on the unit's date of participation and other factors.

Contributions for employees of the Town of Winchester were as follows:

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
6/30/05	\$ 156,626	100%
6/30/06	194,518	100%
6/30/07	189,730	100%

5. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties, except for worker's compensation, which is handled through an interlocal risk pool. Settled claims for these risks did not exceed commercial insurance coverage during the years ended June 30, 2005, 2006 and 2007.

A schedule of changes in the claims liability for heart and hypertension judgments for the years ended June 30, 2007 and 2006, is presented below:

	<u>Accrued Liability Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Accrued Liability Claim Payments</u>	<u>Accrued Liability End of Fiscal Year</u>
2005-06	\$ 992,412	\$ (20,809)	\$ -	\$ 971,603
2006-07	971,603	3,128	-	974,731

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Interlocal Risk Pool

The Town is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), an unincorporated association of Connecticut local public agencies which was formed in 1980 by the Connecticut Conference of Municipalities for the purpose of establishing and administering an interlocal risk management program pursuant to the provisions of Section 7-479a et. seq. of the Connecticut General Statutes. The Workers' Compensation Pool provides statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. CIRMA currently has 221 members in the Workers' Compensation Pool. The coverage is subject to an incurred loss retrospective rating plan, and losses incurred in coverage period 2006-07 will be evaluated at 18, 30 and 42 months after the effective date of coverage. The deposit contribution (premium) paid in 2006-07 by the Town was \$227,270. The contribution (premium) is subject to payroll audit at the close of the coverage period. CIRMA's Workers' Compensation Pool retains up to \$750,000 per occurrence. Claims over \$750,000 are reinsured.

Payments to the Workers' Compensation Pool are made through the General Fund.

B. Contingent Liabilities

There are various suits and claims pending against the Town, none of which, individually or in the aggregate, is believed by counsel to be likely to result in judgment or judgments that could materially affect the Town's financial position.

The Town has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under terms of the grant. Based on prior experience, Town management believes such disallowances, if any, will not be material.

The Town may be subject to rebate penalties to the federal government relating to various bond and note issues. The Town expects such amounts, if any, to be immaterial.

6. PRIOR PERIOD ADJUSTMENTS AND RESTATEMENTS

Sewer Fund

Infrastructure constructed/acquired in prior years was inadvertently omitted from capital assets. The result is an increase in capital assets and net assets in the amount of \$4,384,240.

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Governmental Activities

In accordance with Governmental Accounting Standard Board Statement No. 34, the town capitalized infrastructure acquired prior to July 1, 2002 effective as of July 1, 2006. The result of the restatement was an increase in capital assets and net assets of \$12,681,161.

Construction in progress was incorrectly expensed in the prior year. The effect of the restatement was an increase in capital assets and net assets in the amount of \$1,734,116.

7. SUBSEQUENT EVENT

The Town issued Bond Anticipation Notes dated November 15, 2007 in the amount of \$6,151,000 bearing interest at 3.85%.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF WINCHESTER, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION - PENSION TRUST FUND

Schedule of Funding Progress

<u>Plan Year</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
1/1/2001	\$ 4,993,180	\$ 4,626,646	\$ (366,534)	107.9%	\$ 2,483,046	(14.8)%
1/1/2002	5,268,213	\$ 5,111,874	\$ (156,339)	103.1%	\$ 2,612,300	(6.0)%
1/1/2003	5,685,997	5,899,577	213,580	96.4%	2,688,828	7.9%
1/1/2004	6,024,005	6,632,855	608,850	90.8%	2,726,705	22.3%
1/1/2005	6,358,434	7,283,534	925,100	87.3%	2,721,690	34.0%
1/1/2006	6,699,942	7,967,164	1,267,222	84.1%	2,723,649	46.5%

Schedule of Employer Contributions

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
6/30/2002	\$ 204,443	100%
6/30/2003	217,710	47%
6/30/2004	230,078	92%
6/30/2005	276,655	87%
6/30/2006	310,560	78%
6/30/2007	352,407	71%

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated.

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GENERAL FUND

To account for the general operations of the Town, except those required to be accounted for in another fund.

TOWN OF WINCHESTER, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes, interest and lien fees	\$ 19,728,782	\$ 19,728,782	\$ 19,601,927	\$ (126,855)
Intergovernmental revenues:				
State of Connecticut - General Government	1,043,497	1,043,497	1,323,149	279,652
State of Connecticut - Board of Education	7,389,759	7,389,759	7,390,524	765
	<u>8,433,256</u>	<u>8,433,256</u>	<u>8,713,673</u>	<u>280,417</u>
Other local revenues:				
Licenses, fees and permits:				
Cemeteries	37,000	37,000	23,300	(13,700)
Town Clerk	225,000	225,000	230,257	5,257
Charges for services:				
In lieu of taxes - Housing Authority	37,500	37,500	26,114	(11,386)
Building Department	203,500	203,500	232,046	28,546
Planning and Zoning	5,000	5,000	4,935	(65)
Inland Wetlands Commission	6,000	6,000	11,538	5,538
Zoning Board of Appeals	2,500	2,500	3,826	1,326
Police Department	28,000	28,000	28,057	57
Fire and ambulance	250	250	39,733	39,483
Sale of land and equipment	15,000	15,000	3,605	(11,395)
Senior citizens	-	-	1,971	1,971
Park and Recreation Department	21,300	21,300	-	(21,300)
Tree Harvest	50,000	50,000	-	(50,000)
Probate Court	550	550	1,835	1,285
Interest and dividends	125,000	125,000	198,241	73,241
Other	54,002	54,002	53,596	(406)
	<u>810,602</u>	<u>810,602</u>	<u>859,054</u>	<u>48,452</u>
Total revenues	<u>28,972,640</u>	<u>28,972,640</u>	<u>29,174,654</u>	<u>202,014</u>

(Continued on following page)

TOWN OF WINCHESTER, CONNECTICUT

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Expenditures:				
General government:				
Board of Selectmen	\$ 34,380	\$ 33,232	\$ 30,136	\$ 3,096
Town Clerk	156,460	156,460	152,827	3,633
Treasurer	5,851	5,851	7,291	(1,440)
Accounting Department	155,077	156,860	164,951	(8,091)
Election expenditures	49,306	49,306	54,236	(4,930)
Insurance	227,503	227,503	340,824	(113,321)
Town Counsel	75,795	152,710	140,294	12,416
Town Manager	176,008	237,516	240,196	(2,680)
Building Department	265,379	247,603	248,094	(491)
Assessor	144,096	158,595	142,475	16,120
Board of Tax Review	3,583	3,583	1,713	1,870
Tax Collector	74,480	74,480	74,240	240
Planning and Zoning	4,259	5,735	3,791	1,944
Building	151,280	162,191	159,791	2,400
Inland Wetland Commission	4,782	15,333	15,717	(384)
Zoning Board of Appeals	1,407	1,407	1,248	159
Laurel City Commission	4,941	4,941	4,941	-
Advisory Comm for the Disabled	1,024	1,024	268	756
Litchfield Conservation District	1,779	1,779	1,779	-
Purchasing/Data Processing	148,585	149,793	146,723	3,070
Probate Court	3,410	3,410	3,150	260
Senior Citizens	169,516	169,516	163,410	6,106
Rural Transit District	1,976	1,976	1,976	-
Vacation and sick pay accrual	9,882	95,759	111,915	(16,156)
Highland Lake	27,216	27,216	14,925	12,291
Tree Advisory Board	494	494	-	494
Economic Development Commission	4,699	4,699	3,103	1,596
School crossing guards	48,751	48,751	48,652	99
Judgments and losses	988	988	-	988
Conservation Commission	10,172	290	-	290
Unemployment compensation	12,847	12,847	11,886	961
Cemeteries	60,653	60,653	47,608	13,045
Soldiers Monument Commission	6,387	6,387	6,338	49
Planning and Community Development	171,288	122,784	122,949	(165)
Redevelopment Agency	7,842	7,842	35	7,807
Civil Service Commission	8,699	22,699	18,473	4,226
Friends of Main Street	19,764	19,764	19,764	-
	<u>2,250,559</u>	<u>2,451,977</u>	<u>2,505,719</u>	<u>(53,742)</u>

(Continued on following page)

TOWN OF WINCHESTER, CONNECTICUT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Library	\$ 191,025	\$ 191,025	\$ 191,025	\$ -
Miscellaneous	387,457	342,652	366,864	(24,212)
Waste disposal and recycling	436,730	327,548	327,548	-
Public safety:				
Police Department	2,437,184	2,532,723	2,662,721	(129,998)
Fire Department	365,516	365,516	345,251	20,265
Civil Preparedness	8,694	8,694	9,327	(633)
Winchester Fire Department	40,786	40,786	40,765	21
Ambulance	106,297	106,297	106,297	-
	<u>2,958,477</u>	<u>3,054,016</u>	<u>3,164,361</u>	<u>(110,345)</u>
Public works:				
Public Works Department	1,941,478	1,825,377	1,733,747	91,630
Streetlighting	145,265	130,659	133,535	(2,876)
	<u>2,086,743</u>	<u>1,956,036</u>	<u>1,867,282</u>	<u>88,754</u>
Health:				
Department of Health	146,960	146,960	107,962	38,998
Youth and Family Services	35,378	35,378	35,378	-
Paramedic	140,000	140,000	137,419	2,581
	<u>322,338</u>	<u>322,338</u>	<u>280,759</u>	<u>41,579</u>
Parks and recreation:				
Park and Recreation Department	233,698	235,435	243,907	(8,472)
Education:				
Board of Education	18,876,325	18,876,325	18,826,562	49,763
Program and project expenses	147,044	147,044	147,044	-

(Continued on following page)

TOWN OF WINCHESTER, CONNECTICUT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Debt service:				
Principal retirement	\$ 375,000	\$ 375,000	\$ 375,000	\$ -
Interest	61,593	61,593	61,593	-
	<u>436,593</u>	<u>436,593</u>	<u>436,593</u>	<u>-</u>
Capital Outlay	<u>473,778</u>	<u>473,778</u>	<u>714,331</u>	<u>(240,553)</u>
Total expenditures	<u>28,800,767</u>	<u>28,814,767</u>	<u>29,071,995</u>	<u>(257,228)</u>
Excess of Revenues over Expenditures	171,873	157,873	102,659	(55,214)
Other Financing Sources (Uses):				
Transfers in	6,000	6,000	156,249	150,249
Transfers out	<u>(177,873)</u>	<u>(177,873)</u>	<u>(179,781)</u>	<u>(1,908)</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	<u>\$ -</u>	<u>\$ (14,000)</u>	79,127	<u>\$ 93,127</u>
Fund Balance at Beginning of Year			<u>1,255,875</u>	
Fund Balance at End of Year			<u>\$ 1,335,002</u>	

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Industrial Park #2 Fund - To account for revenues and expenditures for the marketing and sales of lots in the Town's second industrial park.

Cafeteria Fund - To account for the Child Nutrition Program. Revenues consist of sales of food and grant subsidies for nutrition.

Federal and State Education Grants Fund - To account for revenues and expenditures of various education grants.

Town Aid Roads Fund - To account for state grant revenues and expenditures for Town improved and unimproved roads.

Winchester Emergency Shelter Fund - To account for the state grant received for the Winchester Emergency Shelter.

Dog Fund - To account for the activities of the Town's Dog Warden, of which a portion of the fees must be paid to the State of Connecticut.

Brownfields Pilot Program - To account for a grant from the U.S. Environmental Protection Agency and related expenditures to study and redevelop several potentially contaminated manufacturing sites.

Infrastructure Assets - To account for revenues and expenditures relating to water improvements, drain improvements and lighting.

Other - To account for proceeds and expenditures of diminutive miscellaneous non-intergovernmental grants and activities.

Permanent Funds

Winchester School Trust Fund - To account for funds established to provide scholarships on an annual basis to local youth who excel in the school system.

Winchester Sinking Fund - To account for funds established for the retirement of debt. The fund balance must exceed \$75,000 before any funds can be utilized.

Forest View Cemetery Fund - This fund was established to accumulate donations and other resources, the income on which is used for the operation and maintenance of the Town's Forest View Cemetery and to purchase cemetery land.

Winchester Center Cemetery Fund - This fund was established to accumulate donations and other resources, the income on which is used for the operation and maintenance of the Winchester Center Cemetery and to purchase cemetery land.

Other - To account for funds contributed to the Town, the income on which is used for decorating various grave sites and repairs and maintenance of the local parks.

TOWN OF WINCHESTER, CONNECTICUT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2007

Special Revenue Funds

	Industrial Park #2 Fund	Cafeteria Fund	Federal and State Education Grants Fund	Town Aid Roads Fund	Winchester Emergency Shelter Fund	Dog Fund	Brownfields Pilot Program	Infrastructure Assets	Other
Cash and cash equivalents	\$ 338,102	\$ 9,692	\$	\$	\$ 1,222	\$ 3,371	\$ 32	\$ 661	\$ 304,535
Due from other governments		38,219		182,126				56,859	5,319
Due from other funds			85,054						
Other assets		1,703				4,861			
Total Assets	\$ 338,102	\$ 49,614	\$ 85,054	\$ 182,126	\$ 1,222	\$ 8,232	\$ 32	\$ 57,520	\$ 309,854

ASSETS

Cash and cash equivalents	\$ 338,102	\$ 9,692	\$	\$	\$ 1,222	\$ 3,371	\$ 32	\$ 661	\$ 304,535
Due from other governments		38,219		182,126				56,859	5,319
Due from other funds			85,054						
Other assets		1,703				4,861			
Total Assets	\$ 338,102	\$ 49,614	\$ 85,054	\$ 182,126	\$ 1,222	\$ 8,232	\$ 32	\$ 57,520	\$ 309,854

LIABILITIES AND FUND
BALANCES

Accounts payable and accrued items	\$	\$	\$	\$	\$	\$	\$	\$	\$ 24,834
Deferred revenue			26,896					6,647	1,526
Due to other governments	153,130		58,158			6,380			
Due to other funds	3,200				1,193	49,100	20,090	50,212	67,896
Total liabilities	156,330	-	85,054	-	1,193	55,733	20,090	56,859	94,256
Fund Balances:									
Reserved for purpose of trust									
Unreserved and undesignated	181,772	49,614	-	182,126	29	(47,501)	(20,058)	661	215,598
Total fund balances	181,772	49,614	-	182,126	29	(47,501)	(20,058)	661	215,598
Total Liabilities and Fund Balances	\$ 338,102	\$ 49,614	\$ 85,054	\$ 182,126	\$ 1,222	\$ 8,232	\$ 32	\$ 57,520	\$ 309,854

(Continued on following page)

TOWN OF WINCHESTER, CONNECTICUT

COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2007

	Permanent Funds					Total
	Winchester School Trust Fund	Winchester Sinking Fund	Forest View Cemetery Fund	Winchester Center Cemetery Fund	Other	
ASSETS						
Cash and cash equivalents	\$ 67,082	\$ 87,865	\$ 138,051	\$ 38,343	\$ 164,681	\$ 1,153,637
Due from other governments						100,397
Due from other funds						267,180
Other assets						6,564
Total Assets	\$ 67,082	\$ 87,865	\$ 138,051	\$ 38,343	\$ 164,681	\$ 1,527,778
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued items	\$	\$	\$	\$	\$	\$ 31,734
Deferred revenue						28,422
Due to other governments						217,668
Due to other funds					3,141	194,832
Total liabilities					3,141	472,656
Fund Balances:						
Reserved for purpose of trust	67,082	87,865	138,051	38,343	101,523	432,864
Unreserved and undesignated					60,017	622,258
Total fund balances	67,082	87,865	138,051	38,343	161,540	1,055,122
Total Liabilities and Fund Balances	\$ 67,082	\$ 87,865	\$ 138,051	\$ 38,343	\$ 164,681	\$ 1,527,778

TOWN OF WINCHESTER, CONNECTICUT

COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

Special Revenue Funds

	Industrial Park #2 Fund	Cafeteria Fund	Federal and State Education Grants Fund	Town Aid Roads Fund	Winchester Emergency Shelter Fund	Dog Fund	Brownfields Pilot Program	Infrastructure Assets	Other
Revenues:									
Intergovernmental revenues	\$	\$ 233,263	\$ 901,197	\$	\$	\$ 11,003	\$ 24,614	\$	\$ 1,031,360
Licenses, fees and permits		202,715			29	73	12		6,984
Charges for services	7,763	9,200				2,438			9,306
Interest and dividends					29	13,514	24,626		1,047,650
Other revenue	7,763	445,178	901,197	-					
Total revenues									
Expenditures:									
General government				47,061		43,309	24,614	12,114	208,687
Public works		462,240	901,197						648,867
Education				47,061		43,309	24,614	12,114	857,554
Capital outlay									
Total expenditures									
Excess (Deficiency) of Revenues over Expenditures	7,763	(17,062)	-	(47,061)	29	(29,795)	12	(12,114)	190,096
Other Financing Sources (Uses):									
Transfers in				149,781		30,000			(2)
Transfers out									
Net Change in Fund Balances	7,763	(17,062)	-	102,720	29	205	12	(12,114)	190,094
Fund Balances at Beginning of Year	174,009	66,676	-	79,406	-	(47,706)	(20,070)	12,775	25,504
Fund Balances at End of Year	\$ 181,772	\$ 49,614	\$ -	\$ 182,126	\$ 29	\$ (47,501)	\$ (20,058)	\$ 661	\$ 215,598

(Continued on next page)

TOWN OF WINCHESTER, CONNECTICUT
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

	Permanent Funds					Total
	Winchester School Trust Fund	Winchester Sinking Fund	Forest View Cemetery Fund	Winchester Center Cemetery Fund	Other	
Revenues:						
Intergovernmental revenues	\$	\$	\$	\$	\$	\$
Licenses, fees and permits						2,190,434
Charges for services	3,268	2,073	2,814	723	3,963	11,003
Interest and dividends						202,715
Other revenue						27,702
Total revenues	<u>3,268</u>	<u>2,073</u>	<u>2,814</u>	<u>723</u>	<u>3,963</u>	<u>20,944</u>
Expenditures:						
General government						323,671
Public works	2,100					12,114
Education						1,365,537
Capital outlay						648,867
Total expenditures	<u>2,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,350,189</u>
Excess (Deficiency) of Revenues over Expenditures	1,168	2,073	2,814	723	3,963	102,609
Other Financing Sources (Uses):						
Transfers in						179,781
Transfers out						(4,126)
Net Change in Fund Balances	1,168	2,073	3	10	3,363	278,264
Fund Balances at Beginning of Year	65,914	85,792	138,048	38,333	158,177	776,858
Fund Balances at End of Year	<u>\$ 67,082</u>	<u>\$ 87,865</u>	<u>\$ 138,051</u>	<u>\$ 38,343</u>	<u>\$ 161,540</u>	<u>\$ 1,055,122</u>

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SUPPLEMENTAL SCHEDULES

TOWN OF WINCHESTER, CONNECTICUT

AGENCY FUNDS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2007</u>
Town Deposit:				
Assets:				
Cash and cash equivalents	\$ <u>4,535</u>	\$ <u>109</u>	<u>109</u>	\$ <u>4,535</u>
Liabilities:				
Fiduciary deposits	\$ <u>4,535</u>	\$ <u>109</u>	\$ <u>109</u>	\$ <u>4,535</u>
Student Activities:				
Assets:				
Cash and cash equivalents	\$ <u>23,955</u>	\$ <u>106,984</u>	\$ <u>96,712</u>	\$ <u>34,227</u>
Liabilities:				
Fiduciary deposits	\$ <u>23,955</u>	\$ <u>106,984</u>	\$ <u>96,712</u>	\$ <u>34,227</u>
Other:				
Assets:				
Cash and cash equivalents	\$ <u>25,674</u>	\$ <u>3,452</u>	\$ <u>8,555</u>	\$ <u>20,571</u>
Liabilities:				
Fiduciary deposits	\$ <u>25,674</u>	\$ <u>3,452</u>	\$ <u>8,555</u>	\$ <u>20,571</u>
Total - All Agency Funds:				
Assets:				
Cash and cash equivalents	\$ <u>54,164</u>	\$ <u>110,545</u>	\$ <u>105,376</u>	\$ <u>59,333</u>
Liabilities:				
Fiduciary deposits	\$ <u>54,164</u>	\$ <u>110,545</u>	\$ <u>105,376</u>	\$ <u>59,333</u>

TOWN OF WINCHESTER, CONNECTICUT

SCHEDULES OF WATER AND SEWER RENTS LEVIED, COLLECTED AND OUTSTANDING

FOR THE YEAR ENDED JUNE 30, 2007

Water Rents:

Levy as of July 1,	New Levy and Uncollected Balance, July 1, 2006	Collections			Water Rents Receivable, June 30, 2007
		Rents	Interest and Liens	Total	
2005	\$ 1,511,648	\$ 1,375,494	\$ 38,530	\$ 1,414,024	\$ 136,154
2004	89,492	65,604	1,838	67,442	23,888
2003*	137,394	22,333	626	22,959	115,061
	<u>\$ 1,738,534</u>	<u>\$ 1,463,431</u>	<u>\$ 40,994</u>	<u>\$ 1,504,425</u>	<u>\$ 275,103</u>

Sewer Rents:

Levy as of July 1,	New Levy and Uncollected Balance, July 1, 2006	Collections			Sewer Rents Receivable, June 30, 2007
		Rents	Interest and Liens	Total	
2005	\$ 1,034,935	\$ 940,298	\$ 31,972	\$ 972,270	\$ 94,637
2004	65,131	53,209	1,809	55,018	11,922
2003*	67,354	21,218	722	21,940	46,136
	<u>\$ 1,167,420</u>	<u>\$ 1,014,725</u>	<u>\$ 34,503</u>	<u>\$ 1,049,228</u>	<u>\$ 152,695</u>

* Includes levies of 2003 and prior

Source: Town of Winchester, Connecticut, Collector of Revenue.

STATISTICAL SECTION

This part of the Town of Winchester's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the government's financial health.

Contents	Page
Financial Trends	69-72
<p>These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.</p>	
Revenue Capacity	73-75
<p>These schedules contain information to help the reader assess the Town's most significant local revenue source, property taxes.</p>	
Debt Capacity	76-78
<p>These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the government's ability to issue additional debt in the future.</p>	
Demographic and Economic Information	79-80
<p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.</p>	
Operating Information	81-83
<p>These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.</p>	

TOWN OF WINCHESTER, CONNECTICUT

NET ASSETS BY COMPONENT

SINCE INCEPTION OF GASB 34
(Accrual Basis of Accounting)

	FISCAL YEAR				
	2003	2004	2005	2006	2007
Governmental Activities:					
Invested in capital assets, net of related debt	\$ 25,729,473	\$ 25,863,702	\$ 23,506,325	\$ 26,309,934	\$ 37,596,274
Restricted	415,260	418,871	423,589	429,610	432,864
Unrestricted	3,139,372	3,599,311	5,142,363	1,135,393	4,630,810
Total Governmental Activities Net Assets	\$ 29,284,105	\$ 29,881,884	\$ 29,072,277	\$ 27,874,937	\$ 42,659,948
Business-Type Activities:					
Invested in capital assets, net of related debt	\$ 25,970,626	\$ 25,895,701	\$ 26,117,487	\$ 27,630,867	\$ 31,606,447
Unrestricted	1,553,796	1,363,735	1,419,937	884,603	882,617
Total Business-Type Activities Net Assets	\$ 27,524,422	\$ 27,259,436	\$ 27,537,424	\$ 28,515,470	\$ 32,489,064
Primary Government:					
Invested in capital assets, net of related debt	\$ 51,700,099	\$ 51,759,403	\$ 49,623,812	\$ 53,940,801	\$ 69,202,721
Restricted	415,260	418,871	423,589	429,610	432,864
Unrestricted	4,693,168	4,963,046	6,562,300	2,019,996	5,513,427
Total Primary Government Net Assets	\$ 56,808,527	\$ 57,141,320	\$ 56,609,701	\$ 56,390,407	\$ 75,149,012

NOTE: The Town began to report accrual information when it implemented GASB Statement No. 34 during fiscal year June 30, 2003.

TOWN OF WINCHESTER, CONNECTICUT

CHANGES IN NET ASSETS

SINCE INCEPTION OF GASB 34
(Accrual Basis of Accounting)

	FISCAL YEAR				
	2003	2004	2005	2006	2007
Expenses:					
Governmental activities:					
Board of Education	\$ 18,541,355	\$ 18,848,278	\$ 19,134,392	\$ 20,428,332	\$ 21,551,084
Public works	2,779,172	1,788,829	3,021,111	3,138,955	3,370,104
Public safety	3,124,233	3,166,696	3,475,885	4,009,300	3,971,722
General government	3,721,405	2,466,584	3,044,126	3,550,359	2,571,804
Welfare	58,331	47,109	28,224	26,443	-
Health	248,171	187,641	218,918	275,401	284,419
Parks and recreation	273,268	300,769	270,071	265,436	315,423
Library	213,597	197,054	205,882	209,543	191,025
Waste disposal and recycling	596,924	477,669	407,666	482,881	327,548
Interest on long-term debt	288,536	244,728	227,614	183,875	150,320
Total governmental activities expenses	<u>29,844,992</u>	<u>27,725,357</u>	<u>30,033,889</u>	<u>32,570,525</u>	<u>32,733,449</u>
Business-type activities:					
Water	2,049,799	1,853,696	1,491,865	1,560,548	1,777,621
Sewer	1,789,526	1,724,658	1,621,403	1,703,944	1,741,196
Total business-type activities expenses	<u>3,839,325</u>	<u>3,578,354</u>	<u>3,113,268</u>	<u>3,264,492</u>	<u>3,518,817</u>
Total Primary Government Expenses	<u>\$ 33,684,317</u>	<u>\$ 31,303,711</u>	<u>\$ 33,147,157</u>	<u>\$ 35,835,017</u>	<u>\$ 36,252,266</u>
Program Revenues:					
Governmental activities:					
Charges for services	\$	\$	\$	\$	\$
Board of Education			231,521	473,193	202,715
Public works				239,353	146,010
Public safety				342,192	331,138
General government	939,600	391,083	311,660	233,135	234,063
Parks and recreation			21,000		
Operating grants and contributions	8,507,762	8,407,231	8,563,656	9,507,076	10,203,048
Capital grants and contributions	1,069,819	640,055	733,878	378,290	1,330,607
Total governmental activities program revenues	<u>10,517,181</u>	<u>9,438,369</u>	<u>9,861,715</u>	<u>11,173,239</u>	<u>12,447,581</u>
Business-type activities:					
Water:					
Charges for services	3,329,450	1,771,612	1,865,882	1,591,516	1,561,408
Capital grants and contributions				1,123,379	100,727
Sewer:					
Charges for services	1,288,645	1,300,159	1,283,045	1,300,972	1,214,181
Total business-type activities program revenues	<u>4,618,095</u>	<u>3,071,771</u>	<u>3,148,927</u>	<u>4,015,867</u>	<u>2,876,316</u>
Total Primary Government Program Revenues	<u>\$ 15,135,276</u>	<u>\$ 12,510,140</u>	<u>\$ 13,010,642</u>	<u>\$ 15,189,106</u>	<u>\$ 15,323,897</u>
Net revenues (expenses):					
Governmental activities	\$ (19,327,811)	\$ (18,286,988)	\$ (20,172,174)	\$ (21,397,286)	\$ (20,285,868)
Business-type activities	<u>778,770</u>	<u>(506,583)</u>	<u>35,659</u>	<u>751,375</u>	<u>(642,501)</u>
Total Primary Government Net Expense	<u>\$ (18,549,041)</u>	<u>\$ (18,793,571)</u>	<u>\$ (20,136,515)</u>	<u>\$ (20,645,911)</u>	<u>\$ (20,928,369)</u>
General Revenues and Other					
Changes in Net Assets:					
Governmental activities:					
Property taxes	\$ 15,847,789	\$ 16,914,799	\$ 17,629,149	\$ 18,954,951	\$ 19,416,214
Grants and contributions not restricted to specific programs	1,202,028	814,095	1,030,388	773,402	847,448
Unrestricted investment earnings	77,553	65,183	74,540	333,180	396,785
Miscellaneous	463,967	1,324,515	867,740	364,529	213,563
Transfers	(212,780)	(233,825)	(233,825)	(226,116)	(218,408)
Total governmental activities	<u>17,378,557</u>	<u>18,884,767</u>	<u>19,367,992</u>	<u>20,199,946</u>	<u>20,655,602</u>
Business-type activities:					
Unrestricted investment earnings	15,212	7,772	8,504	555	13,447
Transfers	212,780	233,825	233,825	226,116	218,408
Total business-type activities	<u>227,992</u>	<u>241,597</u>	<u>242,329</u>	<u>226,671</u>	<u>231,855</u>
Total Primary Government	<u>\$ 17,606,549</u>	<u>\$ 19,126,364</u>	<u>\$ 19,610,321</u>	<u>\$ 20,426,617</u>	<u>\$ 20,887,457</u>
Change in Net Assets:					
Governmental activities	\$ (1,949,254)	\$ 597,779	\$ (804,182)	\$ (1,197,340)	\$ 369,734
Business-type activities	<u>1,006,762</u>	<u>(264,986)</u>	<u>277,988</u>	<u>978,046</u>	<u>(410,646)</u>
Total Primary Government	<u>\$ (942,492)</u>	<u>\$ 332,793</u>	<u>\$ (526,194)</u>	<u>\$ (219,294)</u>	<u>\$ (40,912)</u>

NOTE: The Town began to report accrual information when it implemented GASB Statement No. 34 during fiscal year June 30, 2003.

TOWN OF WINCHESTER, CONNECTICUT

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	FISCAL YEAR									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund:										
Reserved	\$ 277,551	\$ 453,670	\$ 300,603	\$ 794,806	\$ 482,665	\$ 299,846	\$ 79,770	\$ 278,101	\$ 86,833	\$ 298,934
Unreserved	1,203,376	1,209,800	1,218,931	966,453	1,760,016	506,795	623,576	544,693	1,255,876	1,335,002
Total General Fund	\$ 1,480,927	\$ 1,663,470	\$ 1,519,534	\$ 1,761,259	\$ 2,242,681	\$ 806,641	\$ 703,346	\$ 822,794	\$ 1,342,709	\$ 1,633,936
All other governmental funds:										
Reserved	\$ 448,463	\$ 457,218	\$ 466,067	\$ 478,808	\$ 486,543	\$ 415,260	\$ 418,871	\$ 423,589	\$ 429,610	\$ 432,864
Unreserved, reported in:										
Special revenue funds	547,712	625,448	519,124	655,975	736,120	715,890	861,087	707,598	420,389	612,716
Capital projects funds	(438,500)	(112,500)				55,424	55,424	55,424	(1,384,871)	(4,161,383)
Permanent funds									56,654	60,017
Total All Other Governmental Funds	\$ 557,675	\$ 970,166	\$ 985,191	\$ 1,134,783	\$ 1,222,663	\$ 1,186,574	\$ 1,335,382	\$ 1,186,611	\$ (478,218)	\$ (3,055,786)

TOWN OF WINCHESTER, CONNECTICUT
REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	FISCAL YEAR									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues:										
Property taxes, interest and lien fees	\$ 13,158,847	\$ 13,300,525	\$ 14,732,226	\$ 14,730,409	\$ 16,105,541	\$ 16,113,787	\$ 17,132,182	\$ 17,927,617	\$ 19,108,386	\$ 19,601,927
Intergovernmental revenues	9,997,125	10,531,731	10,677,304	11,250,241	10,400,837	11,220,411	10,106,349	10,558,291	11,131,132	12,626,070
Other local revenues	1,291,895	1,318,947	1,405,661	1,321,730	2,206,382	1,324,316	1,780,781	1,521,060	1,758,185	1,524,274
Total revenues	24,447,867	25,151,203	26,815,191	27,302,380	28,712,760	28,658,514	29,019,312	30,006,968	31,997,703	33,752,271
Expenditures:										
Current:										
Board of Education	13,756,318	13,911,424	15,444,644	15,086,605	16,499,732	18,425,151	18,575,281	18,843,705	20,176,258	21,488,430
Program and project expenses	1,470,323	1,904,729	1,694,591	2,686,456	1,777,416	328,219	166,940	271,113	383,711	234,527
Public safety	1,501,118	1,709,615	1,808,608	1,753,297	1,753,790	1,629,396	2,773,315	2,907,800	2,980,556	3,150,570
Public works	2,315,245	2,503,391	2,616,981	2,496,971	2,606,798	2,568,696	1,608,201	1,718,970	1,974,790	1,887,870
Miscellaneous	919,554	703,224	986,712	859,513	991,644	406,150	296,146	525,500	566,482	366,864
General government	1,523,004	1,142,889	1,323,374	1,330,117	1,459,465	2,555,415	2,408,979	2,661,931	2,921,405	2,790,524
Welfare	121,676	51,035	43,646	49,875	44,654	51,388	43,030	25,792		
Health	114,779	129,032	125,491	210,311	182,310	225,374	176,959	201,516	249,080	280,759
Parks and recreation	139,414	160,397	183,975	173,821	168,163	199,518	194,856	204,951	240,303	244,475
Library	128,000	175,000	199,333	174,533	196,980	193,976	183,836	189,516	189,516	191,025
Waste disposal and recycling	765,455	492,602	514,065	532,517	571,156	542,091	450,476	375,260	436,730	327,548
Debt service:										
Principal	450,000	450,000	450,000	450,000	375,000	414,031	375,000	375,000	375,000	375,000
Interest	343,425	299,076	259,105	222,054	192,843	289,627	245,818	220,390	187,145	153,591
Capital outlay	764,155	774,379	1,244,671	842,844	1,290,000	2,521,836	1,461,133	1,281,022	3,140,511	4,355,994
Total expenditures	23,548,311	24,406,793	26,895,196	26,869,407	28,109,458	30,350,868	28,961,970	29,802,466	33,821,487	35,847,177
Excess (Deficiency) of Revenues over Expenditures	899,556	744,410	(80,005)	432,973	603,302	(1,692,354)	57,342	204,502	(1,823,784)	(2,094,906)
Other Financing Sources (Uses):										
Issuance of capital lease		184,000	277,353	277,353	111,000	433,004	221,996		904,986	26,973
Transfers in	611,046	510,677	328,413	205,951	205,922	110,084	97,606	149,746	167,578	336,030
Transfers out	(947,693)	(844,053)	(654,672)	(524,960)	(350,922)	(322,864)	(331,431)	(383,571)	(393,694)	(534,438)
Total other financing sources (uses)	(336,647)	(149,376)	(48,906)	(41,656)	(34,000)	220,224	(11,829)	(233,825)	678,870	(191,435)
Net Change in Fund Balances	562,909	595,034	(128,911)	391,317	569,302	(1,472,130)	45,513	(29,323)	(1,144,914)	(2,286,341)
Fund Balance at Beginning of Year	1,475,693	2,038,602	2,633,636	2,504,725	2,896,042	3,465,345	1,993,215	2,038,728	2,009,405	864,491
Fund Balance at End of Year	\$ 2,038,602	\$ 2,633,636	\$ 2,504,725	\$ 2,896,042	\$ 3,465,344	\$ 1,993,215	\$ 2,038,728	\$ 2,009,405	\$ 864,491	\$ (1,421,850)
Debit Service as a Percentage to Noncapital Expenditures	3.48%	3.17%	2.76%	2.58%	2.12%	2.53%	2.26%	2.09%	1.83%	1.68%

TOWN OF WINCHESTER, CONNECTICUT

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

(In Thousands)

Fiscal Year	Real Property			Personal Property		Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Motor Vehicles	Other						
1998	\$ 299,434	\$ 51,867	\$ 44,022	\$ 40,535	\$ 9,354	\$ 426,504	29.87	\$ 609,291	70.0	
1999	299,137	53,433	43,797	41,607	10,159	427,815	30.16	611,164	70.0	
2000	302,073	44,034	45,795	48,437	12,056	428,283	33.62	611,833	70.0	
2001	281,785	26,025	50,255	90,638	14,225	434,478	33.17	620,683	70.0	
2002	280,337	50,970	52,791	70,945	15,525	439,518	35.84	627,883	70.0	
2003	282,652	50,015	54,144	72,039	16,613	442,237	35.58	631,767	70.0	
2004	377,110	62,470	56,165	77,371	13,118	559,998	30.12	799,997	70.0	
2005	380,056	61,152	54,294	76,011	10,856	560,657	31.20	800,938	70.0	
2006	383,948	61,571	58,667	76,673	8,773	572,086	32.98	817,265	70.0	
2007	392,177	62,891	59,924	78,316	8,960	584,348	33.34	834,783	70.0	

Source: Town Assessor's office

Note: By state law property is assessed at 70% of actual value with periodic revaluation of real property. The estimated actual amount is the equalized grand list which is estimated by the State of Connecticut, Office of Policy and Management.

TOWN OF WINCHESTER, CONNECTICUT

PRINCIPAL TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

	2007				1998			
	Taxable Assessed Value	Rank	Percentage of Gross Taxable Assessed Grand List	Taxable Assessed Value	Rank	Percentage of Gross Taxable Assessed Grand List		
Howmet Turbine	\$ 8,091,930	1	1.41 %	\$ 6,287,090	1	1.47% %		
Conn Light and Power Co.	6,102,830	2	1.07	4,894,780	2	1.14%		
Ledgebrook LLC Trustee	5,796,140	3	1.01	4,470,046	3	1.05%		
Yankee Gas	3,939,770	4	0.69	2,659,258	4	0.62%		
Barden Corporation *	3,163,830	5	0.55	2,197,530	5	0.51%		
Litchfield Garden Apartments LLC	2,611,770	6	0.46	2,150,027	6	0.50%		
Homer D Bronson Co.	2,439,580	7	0.43	2,056,066	7	0.48%		
Electric Motion Company	1,971,070	8	0.34	1,794,244	8	0.42%		
Litchfield Heights Apartments LLC	1,922,410	9	0.34	1,345,081	9	0.32%		
Nationwide Health Properties	1,730,750	10	0.30	1,343,240	10	0.31%		
	\$ 37,770,080		6.60 %	\$ 29,197,362		6.82% %		

Source: Town Assessor's office

* Formerly Winsted Precision Ball

TOWN OF WINCHESTER, CONNECTICUT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1998	\$ 12,764,827	\$ 12,203,175	95.60%	\$ 561,652	\$ 12,764,827	100.00%
1999	12,978,000	12,406,968	95.60%	562,657	12,969,625	99.94%
2000	14,522,678	13,912,726	95.80%	566,147	14,478,873	99.70%
2001	14,580,000	14,040,540	96.30%	492,299	14,532,839	99.68%
2002	15,965,395	15,374,675	96.30%	496,399	15,871,074	99.41%
2003	15,977,098	15,353,991	96.10%	517,993	15,871,984	99.34%
2004	17,015,152	16,368,576	96.20%	532,066	16,900,642	99.33%
2005	17,648,739	17,172,223	97.30%	354,350	17,526,573	99.31%
2006	18,941,101	18,498,146	97.66%	365,650	18,863,796	99.59%
2007	19,521,627	19,016,468	97.41%	-	19,016,468	97.41%

Source: Town Assessor's office and Finance office

TOWN OF WINCHESTER, CONNECTICUT
RATIO OF NET GENERAL BONDED DEBT TO
ASSESSED VALUE AND NET GENERAL BONDED DEBT PER CAPITA

LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt			Percentage of Actual Taxable Value of Property(1)	Per Capita	Other Governmental Activities Debt			Business-Type Activities			Total Primary Government	Percentage of Personal Income (2)	Per Capita
	General Obligation Bonds	Notes				Capital Leases	Other	General Obligation Bonds	Notes					
1998	\$ 4,280,000	\$ 438,500		1.11 %	411 \$	\$ 549,600	\$ 13,536,100	\$ 9,111,500	\$ 27,915,700	0.06 %	\$ 2,467			
1999	3,830,000	112,500		0.92	348	560,895	15,307,485		19,810,880	0.08	1,796			
2000	3,380,000			0.79	306	642,552	14,433,700		18,456,252	0.12	1,731			
2001	2,930,000			0.67	275	478,029	13,559,915		16,967,944	0.13	1,523			
2002	2,555,000			0.58	229	390,686	12,686,130		15,631,816	0.14	1,453			
2003	2,180,000			0.49	203	653,147	11,775,545		14,608,692	0.15	1,355			
2004	1,805,000			0.32	167	672,949	11,085,000		13,562,949	0.17	1,246			
2005	1,430,000			0.26	131	453,620	10,155,000		12,038,620	0.19	1,109			
2006	1,055,000	4,515,000		0.97	513	1,273,302	9,185,000		16,028,302	0.14	1,476			
2007	680,000	6,399,000		1.21	652	935,290	8,235,000		16,249,290	0.14	1,485			

(1) See page 72 for taxable property value data

(2) See page 77 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

TOWN OF WINCHESTER, CONNECTICUT

SCHEDULE OF DEBT LIMITATION

JUNE 30, 2007

Total Tax Collections, Including Interest and Lien Fees, for Current Fiscal Year	\$ 19,584,168
Reimbursement for Revenue Loss on:	
Tax relief for elderly and disabled	59,192
Private property tax exemptions	258,961
Manufacturers PILOT grant	211,915
Motor boats	<u>14,829</u>
Base	<u>\$ 20,129,065</u>

	General Long-Term Debt			
	General Purposes	Schools	Urban Renewal	Enterprise
	(2.25 x base)	(4.50 x base)	(3.25 x base)	(3.75 x base)
Debt Limitation:				
Statutory debt limits by function	<u>\$ 45,290,396</u>	<u>\$ 90,580,793</u>	<u>\$ 65,419,461</u>	<u>\$ 75,483,994</u>
Debt:				
Bonds payable	680,000			8,235,000
Bond anticipation notes payable	6,399,000			
Bonds authorized but unissued	1,403,975	7,654		954,896
Less school building grants		<u>(444,208)</u>		
	<u>8,482,975</u>	<u>(436,554)</u>	<u>-</u>	<u>9,189,896</u>
Debt Limitation in Excess of Debt*	<u>\$ 36,807,421</u>	<u>\$ 91,017,347</u>	<u>\$ 65,419,461</u>	<u>\$ 66,294,098</u>

*In no event shall total debt exceed seven times annual receipts from taxation. The maximum amount permitted under this formula would be approximately \$140,903,455.

TOWN OF WINCHESTER, CONNECTICUT

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

	FISCAL YEAR									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt limit	\$ 95,392,962	\$ 97,199,207	\$ 107,796,633	\$ 108,337,873	\$ 113,450,302	\$ 117,121,347	\$ 123,193,056	\$ 130,083,548	\$ 137,419,520	\$ 140,903,455
Total net debt applicable to limit	27,366,100	19,249,985	17,813,700	16,489,915	15,241,130	13,955,545	12,890,000	11,585,000	14,755,000	17,236,317
Legal Debt Margin	\$ 68,026,862	\$ 77,949,222	\$ 89,982,933	\$ 91,847,958	\$ 98,209,172	\$ 103,165,802	\$ 110,303,056	\$ 118,498,548	\$ 122,664,520	\$ 123,667,138
Total net debt applicable to the limit as a percentage of debt limit	28.69%	19.80%	16.53%	15.22%	13.43%	11.92%	10.46%	8.91%	10.74%	12.23%

Note: The State of Connecticut General Statutes require that in no event shall the total debt of the Town exceed seven (7) times the annual receipts from taxation. The calculation of the 2007 debt limit can be found on page 67 of this report.

TOWN OF WINCHESTER, CONNECTICUT
DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

Fiscal Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	Education Level in Years of Schooling	School Enrollment (1)	Unemployment Rate (2)
1998	11,317	\$ 16,741	\$ 1,479	40	12+	1,220	4.4 %
1999	11,033	16,741	1,517	40	12+	1,188	3.8
2000	10,664	22,589	2,118	40	12+	1,153	2.5
2001	11,140	22,589	2,028	40	12+	1,119	3.7
2002	10,755	22,589	2,100	40	12+	1,165	5.8
2003	10,781	22,589	2,095	40	12+	1,129	8.1
2004	10,889	22,589	2,074	40	12+	1,106	6.4
2005	10,857	22,589	2,081	40	12+	1,088	5.9
2006	10,857	22,589	2,081	40	12+	1,094	4.9
2007	10,857	22,589	2,081	40	12+	1,094	4.9

Sources: Population, personal income, median age and education level provided by U.S. Department of Commerce, Bureau of Census and Department of Health Services, State of Connecticut

(1) Town of Winchester, Board of Education.

(2) State of Connecticut, Department of Labor.

TOWN OF WINCHESTER, CONNECTICUT

PRINCIPAL EMPLOYERS

CURRENT YEAR AND PRIOR YEAR*

	2007			2006		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Town of Winchester	\$ 270	1	0.05 %	\$ 270	1	0.05 %
Howmet Corporation	185	2	0.03	185	2	0.03
Electric Motion	140	3	0.02	140	3	0.02
NW CT Community College	100	4	0.02	100	4	0.02
Northwest Community Bank	85	5	0.01	85	5	0.01
Foothills Visiting Nurse/Home Care	65	6	0.01	65	6	0.01
Homer D Bronson Co.	70	7	0.01	70	7	0.01
ICS	55	8	0.01	55	8	0.01
Sterling Sintered Technologies	55	9	0.01	55	9	0.01
SCASCO	40	10	0.01	40	10	0.01
SKF/MRC Plain Bearings	31	11	0.01	31	11	0.01
	<u>\$ 1,096</u>		<u>0.19 %</u>	<u>\$ 1,096</u>		<u>0.19 %</u>

Source: Town of Winchester Planning Department

* Data previous to 2005 is not available

TOWN OF WINCHESTER, CONNECTICUT
 FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

	FISCAL YEAR									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<u>General Government</u>										
<u>Management services</u>	2.0	2.0	2.0	2.0	4.0	8.0	8.0	8.0	8.0	8.0
<u>Finance</u>	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
<u>Planning</u>	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
<u>Building</u>	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
<u>Other</u>	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
<u>Public Safety</u>										
<u>Officers</u>	23.0	23.0	23.0	23.0	23.0	24.0	24.0	24.0	24.0	24.0
<u>Civilians</u>	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
<u>Public Works</u>	17.0	17.0	17.0	17.0	18.0	19.0	19.0	19.0	19.0	19.0
<u>Parks and Recreation</u>	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
<u>Water and Sewer Authority</u>	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
<u>Human Services</u>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>Town Properties</u>	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
<u>Board of Education</u>										
<u>Certified</u>	99.0	99.0	101.0	102.0	102.0	104.0	102.0	108.0	102.0	101.0
<u>Noncertified</u>	93.0	93.0	89.0	87.0	91.0	94.0	94.0	91.0	88.0	87.0
<u>Total</u>	<u>270.0</u>	<u>270.0</u>	<u>268.0</u>	<u>267.0</u>	<u>274.0</u>	<u>285.0</u>	<u>283.0</u>	<u>286.0</u>	<u>277.0</u>	<u>275.0</u>

Sources: Various Town departments

Notes: A full-time employee is scheduled to work 1,976 hours per year (including vacation and sick leave). Full-time equivalent employment is calculated by dividing total labor hours by 1,976.

n/a - information not available

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FIDUCIARY FUNDS

Agency Funds:

Town Deposit Fund - To account for funds used for public schools.

Student Activities Fund - To account for the Batcheller, Hinsdale and Pearson school activity funds.

Other - To account for performance bonds held by the Town.

