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FINAL REVIEW AND POSSIBLE REVISION.

TOWN OF WINCHESTER, CONNECTICUT

Comprehensive Annual Financial Report

JUNE 30, 2001

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

TOWN OF WINCHESTER, CONNECTICUT
 COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

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 FINAL REVIEW AND POSSIBLE REVISION**

INTRODUCTORY SECTION:

Title Page	i-iii
Table of Contents	iv
Listing of Key Officers	v
GFOA Certificate of Achievement	vi
Organization Chart	vii-xvii
Transmittal Letter	

FINANCIAL SECTION:

Report of Independent Accountants	1
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Exhibit

General Purpose Financial Statements:

1	Combined Balance Sheet - All Fund Types and Account Groups	2
2	Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds	3
3	Statement of Changes in Plan Net Assets - Pension Trust Fund	4
4	Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General and Special Revenue Funds - Non-GAAP Budgetary Basis	5
5	Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balances - All Proprietary Fund Types and Nonexpendable Trust Funds	6
6	Combined Statement of Cash Flows - All Proprietary Fund Types and Nonexpendable Trust Funds	7
	Notes to Financial Statements	8-34

Supplemental Information:

Governmental Funds:

General Fund:

A-1	Comparative Balance Sheets	35
A-2	Schedule of Revenues and Expenditures - Budget and Actual - Non-GAAP Budgetary Basis	36-39

TOWN OF WINCHESTER, CONNECTICUT
 COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

DO NOT BE USED ONLY FOR MANAGEMENT DISCUSSION PURPOSES. ENGAGEMENT IS INCOMPLETE. THIS DRAFT IS SUBJECT TO FINAL REVIEW AND POSSIBLE REVISION

Special Revenue Funds:		
B-1	Combining Balance Sheet	40
B-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	41
B-3	Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Town Aid Roads Fund and Dog Fund - Non-GAAP Budgetary Basis	42
Proprietary Funds:		
Enterprise Funds:		
C-1	Combining Balance Sheet	43
C-2	Combining Statement of Revenues, Expenses and Changes in Retained Earnings	44
C-3	Combining Statement of Cash Flows	45
Fiduciary Funds:		
Trust and Agency Funds:		
D-1	Combining Balance Sheet	46-47
D-2	Combining Statement of Revenues, Expenses and Changes in Fund Balances - Nonexpendable Trust Funds	48
D-3	Combining Statement of Cash Flows - Nonexpendable Trust Funds	49
D-4	Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Expendable Trust Funds	50
D-5	Combining Statement of Changes in Assets and Liabilities - Agency Funds	51
General Fixed Assets Account Group:		
E-1	Schedule of General Fixed Assets by Source	52
E-2	Schedule of General Fixed Assets by Function	53
E-3	Schedule of Changes in General Fixed Assets by Function	54
Other Information:		
F	Schedule of Property Taxes Levied, Collected and Outstanding	55
G	Schedules of Water and Sewer Rents Levied, Collected and Outstanding	56
H	Schedule of Surety Bonds Covering Officials and Employees	57

TOWN OF WINCHESTER, CONNECTICUT
COMPREHENSIVE ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

STATISTICAL SECTION:

Table

1	General Fund Expenditures by Function - Non-GAAP Budgetary Basis	58
2	General Fund Revenues by Source - Non-GAAP Budgetary Basis	59
3	Property Tax Levies and Collections	60
4	Assessed and Estimated Actual Value of Taxable Property	61
5	Ratio of Net General Bonded Debt to Assessed Value and Net General Bonded Debt Per Capita	62
6	Schedule of Debt Limitation	63
7	Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures	64
8	Demographic Statistics	65
9	Property Value, Construction and Bank Deposits	66
10	Principal Taxpayers	67
11	Capital Outlay Expenditures by Function - Non-GAAP Budgetary Basis	68
12	Supplemental Data	69

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DISCUSSION PURPOSES; ENGAGEMENT IS
INCOMPLETE; THIS DRAFT IS SUBJECT TO
FINAL REVIEW AND POSSIBLE REVISION

TOWN OF WINCHESTER, CONNECTICUT

LISTING OF KEY OFFICERS

AS OF JUNE 30, 2001

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Mayor:	John F. Arcelaschi
Board of Selectmen:	Karen Beadle Richard Lavieri John R. Forrest Carol Crossman Frank Smith Maryann D. Welcome
Board of Tax Review:	Peter Walker Walter J. St. Onge, Jr. Joanne Williams
Director of Public Works:	Patrick E. Hague
Town Manager:	Margaret A. Johnson
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:	Raymond W. Powell

TOWN OF WINCHESTER - CITY OF WINSTED

Town Hall - 338 Main Street
WINSTED, CONNECTICUT 06098

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October 26, 2001

To the Citizens
The Town of Winchester, Connecticut

The Comprehensive Annual Financial report of the Town of Winchester, Connecticut, for the fiscal year ended June 30, 2001 is submitted herewith. The Town's Finance Department is responsible for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures. I believe that the data, as presented, are accurate in all material aspects; that the annual report is presented in a manner designed to fairly set forth the financial position and results of operations of the Town as measured by the financial activity of the various funds; and that all disclosures necessary to enable the reader to gain an understanding of the Town's financial affairs have been included.

The Comprehensive Annual Financial Report is composed of three distinct sections:

The Introductory Section contains the table of contents, a listing of key officers, the organization chart for the Town and this letter of transmittal.

The Financial Section contains the report of independent accountants, combined financial statements including the notes to financial statements, combining and individual fund and account group statements, and supplemental schedules.

The Statistical Section contains comprehensive statistical data which relate to the financial condition of the entire governmental structure of the Town of Winchester and includes various financial, economic, social and demographic data about the Town for the past ten years.

The financial statements include all of the funds and account groups of the Town which meet the criteria for defining the reporting entity set forth by the Governmental Accounting Standards Board (GASB). In accordance with these criteria, the financial statements include the financial activities of the Town of Winchester and the Town of Winchester Board of Education. The Town of Winchester Housing Authority, although containing the name of the Town, is excluded from the Town's financial statements. While the Town did create this agency and services are provided primarily to Town residents, the Housing Authority does not depend upon the Town for continuing financial support. The Town's major operations include elementary and secondary education, police and fire protection, public works, parks, recreation and health and welfare.

ECONOMIC CONDITION AND OUTLOOK

Unemployment rates as of June 2001 witnessed slight increase from June 2000. Unemployment statistics as of June 2001 for the Town of Winchester are reported to be at 2.9%, while that of the State of Connecticut is 3.5%. These percentages present an increasing unemployment rate from June 2000 which saw the Town of Winchester at 2.3% and the State of Connecticut at 2.1%.

MAJOR INITIATIVES

Current:

The Town continued its ongoing program of computer automation. During the time of the fiscal year 1999-2000 issue, the Town upgraded its IBM AS/400, installing the most current technology. In addition, at the same time, the Town added a network server to go hand in hand with the IBM AS/400. The network server now allowed the Town to secure its own web site (townofwinchester.org). In addition this allowed all Town staff to have their own e-mail addresses. By installing this new technology, the Town now has more flexibility for storing and for retrieving data. In addition, the Town can now run a wider variety of Personal Computer based programs. This allows for the Town's governmental package to be enhanced.

The Town of Winchester submitted a proposal in the summer of 1998 to improve the pedestrian safety as well as to enhance the quality of its Main Street and to strengthen the pedestrian/bicycle connection between Winsted and the neighboring Town of Torrington. The major goal of this project will be to improve the safety of the four-lane Main Street in addition to enhancing and promoting economic viability of the downtown commercial core of the Town. The total estimated cost of this project is \$4,839,000. Plans are currently being reviewed by the State of Connecticut Department of Transportation. The semi-final project will go out to bid in October-November 2001 for construction in April 2002.

In May of 2001, the Town, in partnership with "Friends of Main Street," was designated by the Connecticut Main Street Program a "Main Street" Town. This designation will give the Town four (4) years of consultation services, free of charge, for downtown revitalization efforts. This designation is a key component to the success of the Town's revitalization efforts.

In the spring of 1997, the Town of Winchester formed a Civil Service Commission. As the world has become more and more complicated, so has the process of personnel administration in every aspect. The hiring process, the wage administration and bargaining process, the day-to-day management process, the discipline process, etc., have all become more complex. The purpose of the new commission is to improve the position and conditions of the employees of the Town of Winchester by helping both the Town Manager and Board of Selectmen in performing their appointed tasks in an "evenhanded" professional manner. The Civil Service Commission will also put its efforts into being certain that the rights of employees, at every level, are not violated in any way. Some of the areas in which the Commission will benefit the Town of Winchester will be in the clear definition and delineation of job descriptions, the provision for uniform testing when additions to the roster of employees occurs, and the provision for uniform and consistent personnel policies within the confines of existing labor contracts.

During 1998, a new economic revitalization project 'the Town's Brownfields Project' was under way. The United States Environmental Protection Agency awarded the Town a \$200,000 grant 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 Brownfields sites, and attract new development to the area. The program funds have been used for Phase I through Phase III environmental testing of Brownfields properties, increase community involvement and environmental awareness, and to identify cleanup strategies. Eight properties have completed assessments. In total, approximately \$190,000 in United States Environmental Protection Agency funds have been expended.

In April of 2001, the Town of Winchester received a \$600,000 grant from the United States Environmental Protection Agency to establish a Brownsfield Clean-Up Revolving Loan Fund (BCRLF). Contracts for fund management and environmental consultation are being finalized. The BCRLF program will be operational in November of 2001.

The Still River Greenway is a proposed five mile long, ten foot wide paved recreational trail spanning from the intersection of Willow and Rowley Streets in the Town of Winchester, south along the Torrington Road for 2.5 miles into

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the City of Torrington to Harris Road. The trail will be handicap accessible and will be designed for walking, jogging, bicycling, rollerblading, and cross-country skiing. Funding for this \$1,875,000 project will be from a Federal TEA-21 grant in the amount of \$1.5 million dollars. This will cover 80% of the project costs. The remaining 20% will come from the Town of Winchester, City of Torrington, and the Still River Greenway Committee. Preliminary design plans are currently being reviewed by the State of Connecticut Department of Transportation.

During the summer of 2001, the Town of Winchester completed work on Phase I of the Water Main Replacement Project and began work on Phase II of this project. Phase I involved replacement of water mains in the Winsted Manor neighborhood, Baker Street, Torrington Street, and Moore Avenue. The project cost was approximately \$1,295 million dollars. The Town funded this project with a 75% grant from United States Department of Agriculture Rural Development and a 25% grant from the Connecticut Department of Environmental Protection. Phase II of this project involves replacement of water mains on Strong Terrace, Coe Street, East Wakefield Boulevard, Shore Drive, Perch Rock Trail, and several other streets located between Highland Lake and Main Street. The project is approximately 50% complete and will cost approximately \$2.86 million dollars. The Town funded Phase II with a 50% grant from United States Department of Agriculture Rural Development and a 50% grant from the Connecticut Department of Environmental Protection. The Town is anticipating that it will receive additional grant funding from the United States Department of Agriculture Rural Development in the near future, and will apply those grant funds toward a third phase of the Water Main Replacement Project.

The Town's Redevelopment Commission has completed a Strategic Plan of Redevelopment. This plan analyzes the economic and physical potential for the commercial and residential areas in the downtown center of Winsted and will recommend a plan for improvement. In addition, the Town completed a Relocation Plan. A consultant was hired to assist the Commission.

During Fiscal Year 2000-2001, the Town of Winchester hired a Grants Writer. The purpose of this new position is to solicit funding from Federal, State, and Private Foundations for projects that will benefit the Town of Winchester and to improve the quality of life for all of its' residents. The Grants Writer works independently on projects and when necessary, will collaborate with Town Department Heads to gather the necessary information to properly prepare grant proposals. The Grants Writer during fiscal year 2000-2001 was successful in having the following applications funded; Save Outdoor Sculptures Grant for the Assessment of Soldiers' Monument for \$750, United States Department of Agriculture Grant for the Rural Housing Division for \$7,500, United States Department of Justice Grant for Bulletproof Vests for \$1,785, State of Connecticut Department of Transportation Grant for Evidential Breath Analysis Equipment for \$8,500, United States Department of Environmental Protection Grant for Brownsfield Cleanup for \$650,000, and Torrington Foundation for Public Giving Grant for construction of a SkatePark for \$5,000. Grants which are currently pending approval are a State of Connecticut Department of Environmental Protection Road Drainage Grant for \$229,000, a State of Connecticut Department of Environmental Protection Grant for a Feasibility Study for \$4,000, and a United States Department of Agriculture Grant for a Public Works Storage Facility for \$42,975.

Future:

The Economic Development Commission is currently marketing its second industrial park - Winchester Business Park. The Winchester Business Park, a 13 lot, fully serviced industrial subdivision, is the result of a partnership between Winchester/Winsted and the State of Connecticut Department of Community and Economic Development (DECD). The Economic Development Commission and Town of Winchester/City of Winsted are committed to developing a mix of industrial/hi-tech/office buildings in an environment which compliments existing sites and projects a quality image. It is anticipated that remaining lots will be placed under purchase contracts in the future for construction of new industrial facilities.

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FINANCIAL INFORMATION

Management of the Town is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Town are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit:

As a recipient of federal and state financial assistance, the Town is responsible for ensuring that an adequate internal control structure is in place to comply with applicable laws and regulations related to that assistance. This internal control structure is subject to periodic evaluation by management.

As a part of the Town's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the Town has complied with applicable laws and regulations. The results of the Town's single audit for the fiscal year ended June 30, 2001 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Budgetary Controls:

In addition, 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 Board of Selectmen and the general public at the annual Town Budget Meeting. Activities of the General Fund, the Dog Fund and the Town Aid Roads Fund are included in the annual appropriated budget. 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 expenditure. This is achieved through the use of a full encumbrance system, which encumbers appropriations upon the issuance of purchase orders. Purchase order commitments which could result in an overexpenditure of an appropriation are not issued until transfers or additional appropriations are made available. Encumbrances outstanding at year-end are recorded as budgetary expenditures and reported as a reservation of fund balance at June 30. Transfers between different department expenditures within the Town must be approved by the Board of Selectmen. Transfers between departments may only be made in the last three months of the fiscal year upon Board of Selectmen approval. Revisions to the adopted budget may be made by the Board of Selectmen upon recommendation by the Town Manager and certification of the Finance Director that sufficient funds exist. Management cannot amend the budget.

General Government Functions:

The General Fund accounts for the general operations of the Town. General Fund revenues are substantially derived from three sources: general property tax revenues, the State of Connecticut and local revenues. Expenditures of the General Fund are divided into the following major expense categories: Board of Education, Public Works, Public Safety, Miscellaneous, General Government, Welfare, Health, Parks and Recreation, Library, Debt Service and Capital Outlay. Resources of the General Fund normally are largely expended and are replenished on an annual basis. The General Fund has an annual operating budget which is adopted by the Town residents at the annual Town Budget Meeting in May of each year.

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Nearly all general government functions are financed through the General Fund; therefore, the following financial highlights are attributable to the General Fund only. Data are presented on a budgetary basis. The following table is a summary of revenues by source and a comparison with the prior fiscal year:

<u>General Fund Revenues by Source</u>						
<u>Revenue Source</u>	<u>Fiscal Year 2001 vs. 2000</u>				<u>Increase (Decrease) in Dollars</u>	<u>Increase (Decrease) in Percent</u>
	2001		2000			
	<u>Dollars</u>	<u>Percent</u>	<u>Dollars</u>	<u>Percent</u>		
General property taxes, interest and lien fees	\$ 14,730,407	61.6%	\$ 14,732,226	60.5%	\$ (1,819)	(1.1)%
Intergovernmental revenues	8,547,790	35.7	8,831,104	36.3	(283,314)	(0.6)
Other revenues	<u>635,117</u>	<u>2.7</u>	<u>773,923</u>	<u>3.2</u>	<u>(138,806)</u>	<u>(0.5)</u>
Total	<u>\$ 23,913,314</u>	<u>100.0%</u>	<u>\$ 24,337,253</u>	<u>100.0%</u>	<u>\$ 423,939</u>	

General property taxes, interest and lien fees decreased by \$1,819 or 1.1% from fiscal year 2000 due primarily to an decrease in current tax collections resultant from an increase in the mill rate.

Intergovernmental revenues, which include state grants to the Town's general government and school system, decreased \$283,314 or 0.6%, which was made up of several components.

Other revenues include interest income, property rentals and other revenue sources not otherwise classified. The current year revenues were greater than the prior year, attributable mostly to miscellaneous items.

General Fund expenditures for all governmental functions including education are presented in the following table of expenditures by function, with a comparison to the prior fiscal year:

<u>General Fund Expenditures by Function</u>							
<u>Fiscal Year 2001 vs. 2000</u>							
	2001		Dollars	2000		<u>Increase (Decrease) in Dollars</u>	<u>Percent Increase (Decrease)</u>
	<u>Dollars</u>	<u>Percent</u>		<u>Percent</u>	<u>Percent</u>		
Municipal:							
Public works	1,776,063	7.4	1,679,962	7.0%	\$96,101	0.4 %	
Public safety	2,499,266	10.5	2,605,186	10.9	(105,920)	(0.4)	
Miscellaneous	861,068	3.6	931,481	3.9	(70,413)	(0.3)	
General government	1,298,006	5.4	1,309,144	5.5	(11,138)	(0.1)	
Welfare	49,875	.2	43,596	.	6,279	0.0	
Health	210,311	.9	125,491	.	84,820	0.4	
Parks and recreation	173,746	.7	165,636	.	8,110	0.0	
Library	174,533	.7	199,333	.	(24,800)	(0.1)	
Waste disposal and Recycling	532,517	2.2	514,065	2.	18,452	0.1	
Debt service	672,054	2.8	709,105	3.	(37,051)	(0.2)	
Capital outlay	<u>849,891</u>	<u>3.6</u>	<u>995,029</u>	<u>4.</u>	<u>(145,138)</u>	<u>(0.5)</u>	
Total municipal	9,097,420	38.1	9,278,028	38.	(180,608)	(0.6)	
Board of Education	<u>14,811,130</u>	<u>61.9</u>	<u>14,726,567</u>	<u>61.</u>	<u>84,563</u>	<u>0.6</u>	
Total	<u>23,908,550</u>	<u>100.0 %</u>	<u>\$24,004,595</u>	<u>100.</u>	<u>\$(96,045)</u>	<u>0.0 %</u>	

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An increase in Town expenditures can be attributed to wage and benefit increase per union contract agreements. The increase in Board of Education expenditures can be attributable to technology expenditures as well as wage and benefit increases per union contract agreements.

General Fund Unreserved Fund Balance:

General Fund unreserved fund balance represents that portion of fund balance which is available for appropriation. The following table shows the Town's General Fund unreserved fund balance position for the past five fiscal years:

(in thousands)

	1997	1998	1999	2000	2001
Unreserved Fund Balance	\$ <u>740</u>	\$ <u>1,203</u>	\$ <u>1,210</u>	\$ <u>1,218</u>	\$ <u>1,012</u>

The General Fund unreserved fund balance decreased from \$1,218 to \$1,012 as of June 30, 2001. This decrease represents 4.23% of operating revenues.

Enterprise Funds:

Proprietary Fund Operations:

Proprietary Fund operations are accounted for within the Sewer Fund and the Waterworks Fund. These funds are accounted for in a manner that is similar to private business in that the costs of operations of these funds are provided through user charges.

The Sewer Fund accounts for the financial activities of the Town's sewer utility, which include administration, operations, maintenance, financing, and billing and collection. The financial activities of the inflow/infiltration analysis program, the wastewater treatment plant project and the Highland Lake sewer project are also included in the Sewer Fund. The Water Pollution Control Authority has authority over the operations of the Sewer Fund.

The Waterworks Fund accounts for the financial activities of the Winsted Waterworks, which include administration, operations, maintenance, financing, and billing and collection. The financial activities of the water pipe replacement program are also included in the Waterworks Fund. The Water Board, which was formed during fiscal year 1998/1999, has authority over the operations of the Waterworks Fund. This power is granted to them by the Town Charter.

Enterprise Fund Comparative data for the past two fiscal years follows:

	2001	2000	Increase (Decrease)
Operating revenues	\$ 2,981,305	\$ 2,911,361	\$ 69,944
Operating expenses*	<u>2,839,477</u>	<u>2,530,561</u>	<u>308,916</u>
Operating Income	\$ <u>141,828</u>	\$ <u>380,800</u>	\$ <u>(238,972)</u>

*Includes depreciation expense of \$930,852 for the fiscal years ended 2001 and 2000, leaving a 0.0% increase in operating expenses other than depreciation. This generally relates to an increased cost of operations in both the Sewer and Water Funds.

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Fiduciary Fund Operations:

Fiduciary Funds are used to account for the funds that the Town holds in a trustee capacity or as an agent for individuals or organizations.

The Pension Trust Fund is used to account for the contributions and the pension benefits and other costs which are associated with the operations of the Town of Winchester employees' pension plan.

Nonexpendable Trust Funds are those funds of which the principal must remain intact. Nonexpendable Trust Funds are the Winchester School Trust, which provides annual scholarships; the Winchester Sinking Fund, which provides for the retirement of debt; the Forest View Cemetery Fund, which is used for the operation and maintenance of the cemetery as well as to provide funding for the purchase of cemetery land; the Winchester Center Cemetery Fund, which is used for the operation and maintenance of the cemetery as well as to provide funding for the purchase of cemetery land; and Other Funds, which include such trusts as the Winchester Center Cemetery, Hurlbut Cemetery, St. Joseph's Cemetery and Charles Pine Cemetery, all of which are used for the operation and maintenance of the cemeteries, and the Dudley Memorial Park Fund, which is used to provide funding for the repairs and maintenance of local parks.

Expendable Trust Funds account for those funds of which the principal and interest may be expended in the course of their designated operations. Expendable Trust Funds are the Winchester Memorial Parks Fund, which is used for the repairs and maintenance of local parks, and Other Funds, which include such trusts as the Forest View Cemetery Chapel Fund, which is used for repairs to the cemetery chapel, and the Jane A. Nisbet Fund, which is used for the construction, repairs and maintenance of fountains.

Agency Funds are merely clearing accounts in that the assets held are offset by related liabilities. Some of the Agency Funds are the Town Deposit Fund, which is used for the public schools; and the Students Activities Fund, which is used for public school student activities.

Special Revenue Fund Operations:

Special Revenue Funds are used to account for resources which have a legal restriction for expenditures. The sources of funding for Special Revenue Funds come from federal and/or state grants, licenses, permits, interfund transfers or donations. Some of the Special Revenue Funds which the Town accounts for are: Small Cities, which account for federal grant revenues from the U.S. Department of Housing and Urban Development; the Town Aid Roads Fund, which accounts for state grant revenues and expenditures for repairs and improvements to the Town's improved and unimproved roads; the Industrial Park #2 Fund, which accounts for the marketing and sales of lots in the Town's second industrial park; the Cafeteria Fund, which accounts for the Child Nutrition Program which has revenues from the sales of food and from state and federal grant subsidies for nutrition; the Federal and State Education Grants, which account for revenues and expenditures of various education grants; the Fire Truck Fund, which accumulates funds for the purchase of a new fire truck; the Winchester Emergency Shelter Fund, which accounts for revenue from the state; the Dog Fund, which accounts for the activities of the Dog Warden of which revenues come from license fees, dog redemption fees and the Town's contribution; and Other Funds.

Other Funds consist of the Parking Authority Fund, which accounts for expenditures for parking related items of which revenues come from parking fines and the Town's contribution; the Drug Enforcement Grant Fund, which accounts for a State of Connecticut grant promoting the fight against drugs; the Let the Children Play Fund, which represents the remaining proceeds from a community playscape project, for which the funds must be used to maintain the structures and equipment of the playscape; the Winsted Loves to Read Fund, which accounts for an annual program in which community donations allow for a day in which the children of Winchester are exposed to the wonderful world of reading via guest speakers and the giving of books to the children who participate in the daily program; the Chore Service Fund, which accounts for a Local Agency for the Aging grant coupled with private donations to provide assistance for the elderly in performing various housekeeping duties in their homes; the Fuel Bank Fund, which accounts for private citizen donations to help Town residents purchase fuel; the Emergency Shelter Fund, which accounts for private donations to help Town residents in need of a home; and the Highland Lake Sinking Fund, which accounts for a state grant and local funding to provide an engineering study on the Town's lake.

Debt Administration:

Various debt ratios are meaningful indicators of the Town's financial position and strength, and are useful tools for municipal management, for public evaluation of performance and for the investment community considering the purchase of the Town's bonds or notes. Net general bonded debt is the portion of indebtedness represented by outstanding bonds and does not include Bond Anticipation Notes or Proprietary Fund bonds. Data for the Town at the end of fiscal year 2000 are as follows:

Net General Bonded Debt	Ratio of Net General Bonded Debt to Assessed Value	Net General Bonded Debt per Capita
\$ <u>2,930,000</u>	<u>.66%</u>	\$ <u>253</u>

The Town has maintained it's A-1 credit rating which it has had for a number of years.

The Town has outstanding, Water Revenue Bonds which were issued in 1990. The original issue was for \$2,800,000, which has \$1,260,000 outstanding at June 30, 2001. Proceeds of the 1990 bond were used to finance improvements to the water system. On June 26, 1998, the Town issued Water Bonds with the United States Department of Agriculture – Rural Development in the amount of \$4,132,300 for the construction of the Water Filtration Plant Project. The balance outstanding as of June 30, 2001 is \$3,512,455. The second bond issue for this project was issued on August 03, 1998 for \$995,400, of which \$895,860 is outstanding as of June 30, 2001. Finally on November 01, 1998, the Town issued bonds totaling \$1,500,000 for improvements to the water system. As of June 30, 2001, \$1,300,000 is outstanding.

The Town's Sewer Fund is financing an inflow/infiltration analysis program and the construction of a new wastewater treatment plant. As of June 30, 2001, the United States Department of Agriculture – Rural Development bonds of \$781,800 were outstanding for the inflow/infiltration analysis program, with a total authorization of \$2,052,600. The difference between the authorization and the original \$1,452,600 United States Department of

Agriculture – Rural Development financing, or \$600,000, came from the State of Connecticut and local sewer users.

The wastewater treatment plant represents a capital project which totaled \$17,217,000. Federal, state and local funds financed this project. At June 30, 2001, United States Department of Agriculture – Rural Development bonds of \$2,471,400 were outstanding. The Town's Water Pollution Control Authority is financing a Highland Lake Sewer Assessment Project Fund. United States Department of Agriculture – Rural Development bonds of \$4,353,400 were issued on June 22, 1994 and \$3,338,400 was outstanding as of June 30, 2001.

The Town has \$2,930,000 outstanding in general obligation bonds for renovation to Batcheller Elementary School and Hinsdale Elementary School. Seventy-six percent of the annual debt. The service cost is to be reimbursed by the State of Connecticut. The bonds were issued on November 15, 1988 and are payable annually through 2008.

Cash Management:

In April 1990, the Town formally adopted an investment policy. This was done in conjunction with the close scrutiny of New England region banks by federal regulators. This policy seeks to maintain the safety and liquidity of the investments and still provide for the optimum yield on the investments. The policy provides for specific financial information to be obtained from the financial institutions 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 with CIRMA. The Town of Winchester has its liability-automobile-property insurance with The Litchfield Insurance Group. All claims under these types of insurance are for-warded by the Department of Finance to CIRMA and The Litchfield Insurance Group, respectively, for their investigation and disposition. Any additional information needed to process a claim is requested of the Department of Finance. The Town of Winchester's Safety Committee meets on a monthly basis to review and implement any of the recommendations from CIRMA as they pertain to workers' compensation claims.

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OTHER INFORMATION

Independent Audit:

The Town Charter requires an annual audit to be made of the books of account, financial records and transactions of all administrative departments of the Town by independent certified public accountants selected by the Town. This requirement has been complied with, and the report of independent accountants has been included in this report.

Awards:

The Governmental Finance Officers Association (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, 2000. This was the thirteenth year that 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.

Acknowledgements:

The preparation of this report could not have 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 manner.

Respectfully submitted,

Henry L. Centrella, Jr.
Director of Finance

xvi

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To the Board of Selectmen
The Town of Winchester, Connecticut

Report of Independent Accountants

We have audited the accompanying general purpose financial statements, as listed in the table of contents, of the Town of Winchester, Connecticut, as of June 30, 2001 and for the year then ended. These general purpose financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on the aforementioned financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements referred to above present fairly, in all material respects, the financial position of the Town of Winchester, Connecticut, as of June 30, 2001 and the results of its operations and cash flows of its proprietary and similar trust fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 5 to the general purpose financial statements, the Town has been informed by Regional Refuse District No. 1 of a claim against the District by the Environmental Protection Agency. The ultimate outcome of this claim cannot presently be determined; accordingly, no provision for any liability that may result has been made in the accompanying financial statements.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements, schedules and statistical information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Town of Winchester, Connecticut. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 26, 2001 on our consideration of the Town of Winchester, Connecticut's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the result of our audit.

October 26, 2001

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TOWN OF WINCHESTER, CONNECTICUT
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001
 WITH COMPARATIVE TOTALS FOR JUNE 30, 2000

	Governmental Fund Types		Proprietary Fund Type	Fiduciary Fund Types Trust and Agency	Account Groups		Totals	
	General	Special Revenue			General Fixed Assets	Long-Term Debt	(Memorandum Only)	2000
ASSETS AND OTHER DEBITS								
Assets:								
Cash and cash equivalents	\$ 1,455,259	\$ 671,748	\$ 1,228,603	\$ 514,876	\$	\$	\$ 3,870,486	\$ 4,233,461
Investments	914,762			4,635,734			4,635,734	4,426,927
Property taxes receivable, net							914,762	953,864
Accounts receivable:								
State of Connecticut	345,774	407,961	263,717	284,286			1,017,452	730,265
Other	387,238	4,502,326	502,993				5,676,843	5,263,534
Accrued utility revenue			671,403				671,403	628,528
Due from other funds	202,293	201,679	378,274				782,246	341,260
Other assets	62,445	9,570					72,015	61,949
Property, plant and equipment (net where applicable)			37,166,381		24,410,322		61,576,703	61,214,945
Other Debits:								
Amounts to be provided by state grant						1,914,013	1,914,013	2,158,981
Amounts to be provided by future years' budgets						3,400,731	3,400,731	3,663,056
Total Assets and Other Debits	\$ 3,367,771	\$ 5,793,284	\$ 40,211,371	\$ 5,434,896	\$ 24,410,322	\$ 5,314,744	\$ 84,532,388	\$ 83,676,770
LIABILITIES, FUND EQUITY AND OTHER CREDITS								
Liabilities:								
Accounts payable and accrued liabilities	\$ 466,581	\$ 241,093	\$ 421,849	\$	\$	\$	\$ 1,129,523	\$ 772,802
Due to other funds	196,557	81,725	490,832	13,132			782,246	341,260
Due to State of Connecticut		170,024					170,024	195,261
Fiduciary deposits				22,936			22,936	50,652
Accrued pension contribution							167,506	85,868
Deferred revenue							5,420,335	5,744,359
Bonds and notes payable	167,506	4,644,467	13,559,915			2,930,000	16,489,915	17,813,700
Claims and judgments	775,868					965,306	941,409	932,758
Accrued vacation and sick leave benefits			130,546				1,071,955	993,826
Obligations under capital leases						478,029	478,029	642,552
Total liabilities	\$ 1,606,512	\$ 5,137,309	\$ 14,603,142	\$ 36,068	\$ -	\$ 5,314,744	\$ 26,697,775	\$ 27,573,038
Fund Equity and Other Credits:								
Investment in general fixed assets					24,410,322		24,410,322	24,199,092
Contributed capital							18,665,265	18,665,265
Retained earnings							6,942,964	6,150,552
Fund balances:							4,920,020	4,584,098
Reserved for employee retirement system	732,361						732,361	247,830
Reserved for encumbrances	62,445						62,445	52,773
Reserved for prepaid expenditures				4,920,020				
Unreserved:								
Undesignated	966,453	655,975		478,808			2,101,236	2,204,122
Total fund equity and other credits	1,761,239	655,975	25,608,229	5,398,828	24,410,322		57,834,613	56,103,732
Total Liabilities, Fund Equity and Other Credits	\$ 3,367,771	\$ 5,793,284	\$ 40,211,371	\$ 5,434,896	\$ 24,410,322	\$ 5,314,744	\$ 84,532,388	\$ 83,676,770

The accompanying notes are an integral part of the financial statements

BE USED ONLY FOR MANAGEMENT DISCUSSION PURPOSES. ENGAGEMENT IS INCOMPLETE. THIS DRAFT IS SUBJECT TO FINAL REVIEW AND POSSIBLE REVISION.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

FOR THE YEAR ENDED JUNE 30, 2001
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2000

	Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)	
	General	Special Revenue	Expendable Trust	2001	2000
Revenues:					
General property taxes, interest and lien fees	\$ 14,730,409	\$	\$	\$ 14,730,409	\$ 14,732,226
Intergovernmental revenues	8,987,748	2,262,493		11,250,241	10,677,304
Other revenues	635,117	666,462	546	1,302,125	1,389,924
Total revenues	<u>24,353,274</u>	<u>2,928,955</u>	<u>546</u>	<u>27,282,775</u>	<u>26,799,454</u>
Expenditures:					
Current:					
Board of Education	15,086,605			15,086,605	15,444,644
Program and project expenditures		2,679,046		2,679,046	1,692,491
Public works	1,753,790			1,753,790	1,808,608
Public safety	2,496,971			2,496,971	2,616,981
Miscellaneous	859,513			859,513	986,712
General government	1,330,117			1,330,117	1,323,374
Welfare	49,875			49,875	43,646
Health	210,311			210,311	125,491
Parks and recreation	173,821			173,821	183,975
Library	174,533			174,533	199,333
Waste disposal and recycling	532,517			532,517	514,065
Debt service	672,054			672,054	709,105
Capital outlay	842,844			842,844	1,244,671
Total expenditures	<u>24,182,951</u>	<u>2,679,046</u>	<u>-</u>	<u>26,861,997</u>	<u>26,893,096</u>
Excess (Deficiency) of Revenues over Expenditures	170,323	249,909	546	420,778	(93,642)
Other Financing Sources (Uses):					
Proceeds from capital lease	277,353			277,353	277,353
Operating transfers in	-	205,951		205,951	328,413
Operating transfers out	(205,951)	(319,009)		(524,960)	(649,352)
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	241,725	136,851	546	379,122	(137,228)
Fund Balances at Beginning of Year	<u>1,519,534</u>	<u>519,124</u>	<u>19,596</u>	<u>2,058,254</u>	<u>2,195,482</u>
Fund Balances at End of Year	\$ <u>1,761,259</u>	\$ <u>655,975</u>	\$ <u>20,142</u>	\$ <u>2,437,376</u>	\$ <u>2,058,254</u>

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PENSION TRUST FUND

STATEMENT OF CHANGES IN PLAN NET ASSETS

FOR THE PLAN YEARS ENDED DECEMBER 31, 2000 AND 1999

	<u>2000</u>	<u>1999</u>
Additions:		
Contributions:		
Employer	\$ 188,481	95,805
Plan member	69,179	56,726
Other cash receipts	29,346	
Total contributions	<u>287,006</u>	<u>152,531</u>
Investment income:		
Net appreciation (depreciation) in fair value of investments	(196,551)	29,856
Interest	173,320	162,495
Dividends	257,803	154,343
	<u>234,572</u>	<u>346,694</u>
Total additions	<u>521,578</u>	<u>499,225</u>
Deductions:		
Benefits	143,618	163,072
Administrative expense	42,038	42,792
Total deductions	<u>185,656</u>	<u>205,864</u>
Net Increase	335,922	293,361
Net Assets Held In Trust for Pension Benefits at Beginning of Year	<u>4,584,098</u>	<u>4,290,737</u>
Net Assets Held In Trust for Pension Benefits at End of Year	<u>\$ 4,920,020</u>	<u>4,584,098</u>

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The accompanying notes are an integral part of the financial statements

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL AND SPECIAL REVENUE FUNDS - NON-GAAP BUDGETARY BASIS

FOR THE YEAR ENDED JUNE 30, 2001
WITH COMPARATIVE ACTUAL TOTALS FOR THE YEAR ENDED JUNE 30, 2000

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance - Favorable (Unfavorable)	Revised Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:						
General property taxes, interest and lien fees	\$ 14,764,427	\$ 14,730,407	\$ (34,020)	\$ -	\$ -	\$ -
Intergovernmental revenues	9,251,316	8,547,790	(703,526)	-	-	-
Other revenues	598,586	635,117	36,531	12,500	8,647	(3,853)
Total revenues	<u>24,614,329</u>	<u>23,913,314</u>	<u>(701,015)</u>	<u>12,500</u>	<u>8,647</u>	<u>(3,853)</u>
Expenditures:						
Current:						
Board of Education Program and project expenditures	14,842,504	14,811,130	31,374	-	-	-
Public works	1,808,321	1,776,063	32,258	223,643	193,937	29,706
Public safety	2,532,273	2,499,266	33,007	-	-	-
Miscellaneous	813,868	861,068	(47,200)	-	-	-
General government	1,342,433	1,339,625	2,808	-	-	-
Welfare	49,202	49,875	(673)	-	-	-
Health	225,561	210,311	15,250	-	-	-
Parks and recreation	195,181	173,746	21,435	-	-	-
Library	190,400	174,533	15,867	-	-	-
Waste disposal and recycling	532,517	532,517	-	-	-	-
Debt service	672,054	672,054	-	-	-	-
Capital outlay	1,570,372	849,981	720,391	-	-	-
Total expenditures	<u>24,774,686</u>	<u>23,950,169</u>	<u>824,517</u>	<u>223,643</u>	<u>193,937</u>	<u>29,706</u>
Excess (Deficiency) of Revenues over Expenditures	(160,357)	(36,855)	123,502	(211,143)	(185,290)	25,853
Other Financing Sources (Uses):						
Operating transfers in	12,000	-	(12,000)	211,143	205,951	(5,192)
Operating transfers out	(211,143)	(205,951)	5,192	-	-	-
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	<u>\$ (359,500)</u>	<u>(242,806)</u>	<u>\$ 116,694</u>	<u>\$ -</u>	<u>20,661</u>	<u>\$ 20,661</u>
Fund Balances at Beginning of Year		1,271,704			9,545	
Fund Balances at End of Year		<u>\$ 1,028,898</u>			<u>\$ 30,206</u>	

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COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS/FUND BALANCES - ALL
PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUNDS

FOR THE YEAR ENDED JUNE 30, 2001
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2000

	Proprietary	Fiduciary	Totals	
	Fund Type	Fund Type	(Memorandum Only)	
	Enterprise	Nonexpend- able Trusts	2001	2000
Operating Revenues:				
Water rents	\$ 1,599,617	\$	\$ 1,599,617	\$ 1,626,165
Sewer rents	1,026,078		1,026,078	1,040,025
Fines, penalties and investment income	158,429	19,605	178,034	154,178
Other	197,181		197,181	106,730
Total operating revenues	<u>2,981,305</u>	<u>19,605</u>	<u>3,000,910</u>	<u>2,927,098</u>
Operating Expenses:				
Operations	1,371,430		1,371,430	1,150,963
Maintenance	288,956		288,956	240,788
Depreciation	930,352		930,352	930,352
Administration	248,738		248,738	208,458
Other		7,410	7,410	2,100
Total operating expenses	<u>2,839,476</u>	<u>7,410</u>	<u>2,846,886</u>	<u>2,532,661</u>
Operating Income	<u>141,829</u>	<u>12,195</u>	<u>154,024</u>	<u>394,437</u>
Nonoperating Revenues (Expenses):				
State and federal grants	635,434		635,434	-
In-kind contribution	381,512		381,512	-
Interest income	49,420		49,420	56,563
Interest expense	(734,792)		(734,792)	(831,338)
Net nonoperating revenues (expenses)	<u>331,574</u>	<u>-</u>	<u>331,574</u>	<u>(774,775)</u>
Income (Loss) Before Operating Transfers	<u>473,403</u>	<u>12,195</u>	<u>485,598</u>	<u>(380,338)</u>
Operating Transfers In	319,009		319,009	326,259
Operating Transfers Out			-	(5,320)
Net Income (Loss)	<u>792,412</u>	<u>12,195</u>	<u>804,607</u>	<u>(59,399)</u>
Retained Earnings/Fund Balances at Beginning of Year	<u>6,150,552</u>	<u>446,471</u>	<u>6,597,023</u>	<u>6,656,422</u>
Retained Earnings/Fund Balances at End of Year	<u>\$ 6,942,964</u>	<u>\$ 458,666</u>	<u>\$ 7,401,630</u>	<u>\$ 6,597,023</u>

The accompanying notes are an integral part of the financial statements

COMBINED STATEMENT OF CASH FLOWS - ALL PROPRIETARY
FUND TYPES AND NONEXPENDABLE TRUST FUNDS

FOR THE YEAR ENDED JUNE 30, 2001
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2000

	Proprietary Fund Type <u>Enterprise</u>	Fiduciary Fund Type <u>Nonexpend- able Trusts</u>	Totals (Memorandum Only)	
			<u>2001</u>	<u>2000</u>
Cash Flows from Operating Activities:				
Operating income	\$ 141,829	\$ 12,195	\$ 154,024	\$ 394,437
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Investment income		(19,605)	(19,605)	(15,737)
Depreciation	930,352		930,352	930,352
(Increase) decrease in operating assets:				
Rents receivable	4,720		4,720	(72,948)
Receivable from State of Connecticut	(263,717)		(263,717)	
Accrued utility revenue	(38,144)		(38,144)	(65,482)
Other assets			-	-
Amounts due from other funds	(284,616)	5,455	(279,161)	(15,256)
Increase (decrease) in operating liabilities:				
Accounts payable and accrued liabilities	276,829		276,829	(38,045)
Amounts due to other funds	224,048		224,048	44,013
Accrued vacation and sick leave benefits	3,448		3,448	24,386
Net cash provided by (used in) operating activities	<u>994,749</u>	<u>(1,955)</u>	<u>992,794</u>	<u>1,185,720</u>
Cash Flows from Noncapital Related Financing Activities:				
Operating transfers in	319,009		319,009	326,259
Operating transfers out			-	(5,320)
Net cash provided by noncapital related financing activities	<u>319,009</u>	<u>-</u>	<u>319,009</u>	<u>320,939</u>
Cash Flows from Capital and Related Financing Activities:				
Grants received from state and federal governments	635,434		635,434	-
Principal payments on bonds payable	(873,785)		(873,785)	(873,785)
Interest paid on notes and bonds payable	(734,792)		(734,792)	(831,338)
Acquisition and construction of capital assets	(699,368)		(699,368)	(65,774)
Net cash used in capital and related financing activities	<u>(1,672,511)</u>	<u>-</u>	<u>(1,672,511)</u>	<u>(1,770,897)</u>
Cash Flows from Investing Activities:				
Investment income	49,420	19,605	69,025	72,300
Net cash provided by investing activities	<u>49,420</u>	<u>19,605</u>	<u>69,025</u>	<u>72,300</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(309,333)	17,650	(291,683)	(191,938)
Cash and Cash Equivalents at Beginning of Year	<u>1,537,936</u>	<u>449,612</u>	<u>1,987,548</u>	<u>2,179,486</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,228,603</u>	<u>\$ 467,262</u>	<u>\$ 1,695,865</u>	<u>\$ 1,987,548</u>
Cash and Cash Equivalents at End of Year:				
Nonexpendable Trust Funds		\$ 467,262		
Expendable Trust and Agency Funds		<u>47,614</u>		
Total on Combined Balance Sheet		<u>\$ 514,876</u>		

The accompanying notes are an integral part of the financial statements

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TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

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Note 1 - Summary of Significant Accounting Policies:

The Town of Winchester 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 accounting policies of the Town of Winchester conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

A. Governmental Reporting Entity:

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.

Related Organizations:

The Winchester Housing Authority has been determined to be a related organization of the Town of Winchester, as the governing body of the Authority is appointed by the Town. The Winchester Housing 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 accounts of the Town are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/retained earnings, revenues and expenditures (or expenses). The various funds are summarized by type in the financial statements. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following fund types and account groups are used by the Town:

Governmental Fund Types:

General Fund - The General Fund is the general operating fund of the Town. It is used for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

TOWN OF WINCHESTER, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED

DO NOT BE USED ONLY FOR MANAGEMENT
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Note 1 - Summary of Significant Accounting Policies (Continued):

Proprietary Fund Type:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Town's Enterprise Funds are comprised of the Waterworks Fund and the Sewer Fund.

Fiduciary Fund Types:

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Expendable, Nonexpendable, Pension Trust and Agency Funds. Nonexpendable and Pension Trust Funds are accounted for in essentially the same manner as Proprietary Funds since capital maintenance is critical. Expendable Trust Funds are accounted for in essentially the same manner as Governmental Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the Town, other than those accounted for in the Town's Proprietary Funds.

General Long-Term Debt Account Group - This account group is established to account for all long-term debt and other long-term liabilities of the Town except those accounted for in the Town's Proprietary Funds.

C. Basis of Accounting:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds and Expendable Trust Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All Proprietary Funds, Nonexpendable Trust Funds and Pension Trust Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary Fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Note 1 - Summary of Significant Accounting Policies (Continued):

All Governmental Funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Available is currently being defined as collected during the current period or expected to be collected within 60 days thereafter.

In applying the susceptible-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, moneys must be expended on the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures recorded. In the other, moneys are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible-to-accrual criteria are met.

Licenses and permits, charges for services, fines and forfeitures, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Property taxes and assessments are recognized as revenue when collected during the year and within 60 days after the close of the fiscal year.

The modified accrual basis of accounting is used by the Agency and Expendable Trust Funds.

The Proprietary Funds, Nonexpendable Trust Funds and Pension Trust Fund are maintained and reported on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The proprietary funds have elected to adopt only those FASB statements, APBs and ARBs issued on or prior to November 30, 1989, unless they conflict with or contradict GASB pronouncements.

The revenues of the Waterworks and Sewer Funds, which are based upon service rates authorized by the Water Pollution Control Authority and the Board of Selectmen, are determined by cyclical billings to customers and recognized when earned. Unbilled water and sewer charges earned as of year-end are also recorded as revenue.

Employee and employer contributions to the Pension Trust Fund are recognized as revenues in the period in which employee services are performed.

D. Budgetary Data:

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 Exhibit 3.

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.

TOWN OF WINCHESTER, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS

DO NOT BE USED ONLY FOR MANAGEMENT DISCUSSION PURPOSES; ENGAGEMENT IS INCOMPLETE. THIS DRAFT IS SUBJECT TO FINAL REVIEW AND POSSIBLE REVISION

Note 1 - Summary of Significant Accounting Policies (Continued):

- 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.

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. Payroll is accounted for on a cash basis. 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.

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. The last amendment was on June 18, 2001.

The accompanying combined statement of revenues, expenditures and changes in fund balances - budget and actual - general and special revenue funds - non-GAAP budgetary basis presents comparisons of the legally adopted budgets 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 generally accepted accounting principles (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, 2001 is presented below:

	General Fund	Special Revenue Funds
	_____	_____
Excess (deficiency) of revenues and other sources over expenditures and other uses for budgeted funds - budgetary basis	\$ (242,806)	\$ 20,661
Timing difference:		
Change in reserve for encumbrances	484,531	
Entity difference:		
Deficiency of revenues and other sources over expenditures and other uses for nonbudgeted funds	_____	116,190
Excess of Revenues and Other Sources over Expenditures and Other Uses - GAAP Basis	\$ <u>241,725</u>	\$ <u>136,851</u>

Note 1 - Summary of Significant Accounting Policies (Continued):

E. Assets, Liabilities and Fund Equity:

Cash and Cash Equivalents - The following is a summary of cash and cash equivalents at June 30, 2001

Deposits	\$	<u>3,870,486</u> *
----------	----	--------------------

* Includes demand and money market accounts.

At year-end, the carrying amount of the Town of Winchester's deposits was \$3,870,486, and the bank balance was \$2,973,196. Of the bank balance, \$501,339 was covered by federal depository insurance. The remaining balance of \$2,471,857 falls under Risk Category 3. Risk Category 3 is defined as uninsured. As required by P.A. 91-245, the depositories with which the Town has its deposits have set aside collateral of \$297,320 in securities; however, these are not held in the Town's name. It is unclear whether the collateral required for public deposits by P.A. 91-245 would stand if challenged by the FDIC since there is no perfected security agreement between the depository and the depositor. A perfected agreement is required by federal law.

Cash Equivalents - Cash equivalents are defined as those investments having original maturities of three months or less.

Investments - 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.

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.

GASB Statement No. 3 defines three categories of investments to give an indication of the level of risk assumed by the entity. Category 1 includes investments which are insured or registered or for which the securities are held by the Town or its agent in the Town's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Town's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty, or by its safekeeping department or agent, but not in the Town's name.

TOWN OF WINCHESTER, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS, CONTINUED

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Note 1 - Summary of Significant Accounting Policies (Continued):

The Town's investments held are as follows:

	Category 1	Category 2	Category 3	Carrying Amount	Fair Value
Pension Trust Fund:					
U.S. Government securities	\$	\$ 1,403,153	\$	\$ 1,403,153	\$ 1,403,153
Corporate and foreign obligations		682,424		682,424	682,424
* Pooled trust funds - Fleet Bank				2,550,157	2,550,157
				\$ 4,635,734	\$ 4,635,734

* Pooled trust funds are not categorized as they are not evidenced by securities that exist in physical or book entry form. Investments are stated at fair value.

Inventories - Inventories that benefit future periods are recorded as expenditures during the year in which they are consumed.

Prepaid Expenses - Prepaid items are expensed in the period benefited.

Property, Plant and Equipment - General Fixed Assets - General fixed assets are those that have been acquired for general governmental purposes. Assets purchased are recorded as expenditures in the Governmental Funds and capitalized in the General Fixed Assets Account Group. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems, are not capitalized along with other general fixed assets. All fixed assets are valued at cost. Donated fixed assets are valued at their estimated fair market value on the date donated. No depreciation has been provided on general fixed assets.

Property, Plant and Equipment - Proprietary (Enterprise) Funds - Property, plant and equipment owned by the Proprietary Funds are stated at cost. Donated fixed assets are valued at their estimated fair market value on the date donated. Depreciation of all exhaustible fixed assets, including contributed fixed assets, used by Proprietary Funds is charged as an expense against their operations and closed to retained earnings. Depreciation has been provided on a straight-line basis over the estimated useful lives as follows:

Buildings, structures and improvements	50 years
Equipment	7-15 years
Distribution reservoirs and standpipes	50 years

Capital Leases - Capital leases are recorded at the inception of the leases as expenditures and other financing sources in governmental fund types and as assets and liabilities in the General Fixed Assets and General Long-Term Debt Account Groups, respectively, at the present value of the minimum lease payments, using the interest rates stated in the leases. Lease payments are recorded as expenditures on the due date; the portion of the payments applicable to principal, determined by using interest rates implicit in the leases, is reported as a reduction of the capital lease obligations in the General Long-Term Debt Account Group.

TOWN OF WINCHESTER, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, COMPLETE

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Note 1 - Summary of Significant Accounting Policies (Continued):

Fund Equity - Reserves and Designation - Portions of fund equity applicable to the employee retirement system, encumbrances, prepaid expenditures and endowments are segregated for future use and are therefore not available for future appropriation or expenditure. A portion of the fund balance has been reserved for encumbrances that will be expended upon vendor performance in the following year.

The reserve for endowments represents the portion of Nonexpendable Trust Fund balances that are restricted by agreements for specific uses. Designated fund balance indicates that portion of fund equity for which the Town has made tentative future expenditure plans.

Contributed Capital - The Enterprise Funds record receipts of federal and state grants or other donations for acquisition of fixed assets as contributed capital.

F. Revenues, Expenditures and Expenses:

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 no less than every ten years. The Town revalued its property as of October 1, 1994. The assessed value for the Grand List of October 1, 1999, upon which the fiscal 2001 levy was based, was \$435 million. A mill rate was applied to the Grand List. 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. Current tax collections for the year ended June 30, 2001 were 96% of the adjusted tax levy. Uncollected property taxes are recorded as receivables, net of an allowance for estimated uncollectible accounts. The revenue relating to property taxes not collected during the fiscal year and within 60 days after the close of the fiscal year is deferred.

Accrued Vacation and Sick Leave Benefits - 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.

Compensated absences are accrued at current salary rates. At June 30, 2001, the portion of compensated absences that is expected to be paid out of current funds has been recorded as a fund liability in the General Fund. The balance is recorded in the General Long-Term Debt Account Group as this portion of the liability will not be liquidated with expendable available financial resources. The liability in the Proprietary Funds has also been accrued at June 30, 2001.

G. Interfund Operating Transfers:

Interfund operating transfers are transactions that shift revenues or contributions from the fund budgeted to receive them to the fund budgeted to expend them; these transactions are recorded as transfers in and out.

TOWN OF WINCHESTER, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS, CONTINUED

**BE USED ONLY FOR MANAGEMENT
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Note 1 - Summary of Significant Accounting Policies (Continued):

H. Comparative Data:

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Town's financial position and operations. However, comparative data by every fund type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

I. Total Columns on the Combined Statements:

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with accounting principles generally accepted in the United States of America, nor are such data comparable to a consolidation.

Note 2 - Stewardship, Compliance and Accountability:

Expenditures exceeded appropriations in the General Fund at the following departmental levels:

Police department	\$ 22,117
Other public safety	5,978
Miscellaneous	47,000
Finance:	
Accountants	3,934
Assessor	1,082
Buildings	2,277
Town Manager	2,296
Law	32,660
Other:	
Town planner	1,865
Laurel City Commission	38
Welfare	673

The following fund had a fund deficit at June 30, 2001:

Special revenue funds:	
Winchester Emergency Shelter	\$ 4,172
Dog fund	6,532

TOWN OF WINCHESTER, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS, COMPOSITION

NOT TO BE USED ONLY FOR MANAGEMENT
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Note 3 - Detail Notes on All Funds and Account Groups:

A. Assets:

Property Taxes Receivable - Gross receivables for 2001 reduced by allowance for uncollectible accounts are as follows:

	Gross Receivable	Allowance for Uncollectible Accounts	Net Receivable
General Fund:			
Property taxes	\$ 953,762	\$ 39,000	\$ 914,762

Changes in General Fixed Assets - A summary of changes in general fixed assets follows:

	Balance July 1, 2000	Additions	Adjustments and Deletions	Balance June 30, 2001
Land and improvements	\$ 1,000,080	\$ -	\$ -	\$ 1,000,080
Buildings and improvements:				
Schools	12,983,406	38,734	-	13,022,140
Town Hall	899,279	-	-	899,279
Senior Citizens Center	447,170	-	-	447,170
Fire Department	88,820	26,950	-	115,770
Other	235,849	30,000	-	265,849
Vehicles and equipment:				
Schools	2,726,800	38,732	-	2,765,532
Town	5,817,688	76,814	-	5,894,502
	\$ 24,199,092	\$ 211,230	\$ -	\$ 24,410,322

Summary of Proprietary Fund Property, Plant and Equipment - A summary of Proprietary Fund property, plant and equipment at June 30, 2001 follows:

Land	\$ 85,476
Buildings, structures and improvements	42,277,956
Equipment	749,438
Distribution reservoirs and standpipes	487,871
Construction in process	2,494,562
	46,095,303
Less accumulated depreciation	8,928,922
Net Property, Plant and Equipment	\$ 37,166,381

TOWN OF WINCHESTER, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS

NOT FOR MANAGEMENT
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Note 3 - Detail Notes on All Funds and Account Groups (Continued):

B. Liabilities:

Bond Issues - Bonds payable at June 30, 2001 are comprised of the following issues:

	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Principal Outstanding June 30, 2001</u>
General purposes:					
Public improve- ments:					
Town Hall and Firehouse	10/15/80	\$ 1,750,000	8.8 & 8.9%	10/15/2000	\$ -
School Renovations	11/15/88	7,430,000	6.977%	11/15/2008	2,930,000
Water and sewer:					
Water Revenue	4/16/90	2,800,000	6.5 & 8.5%	4/16/2010	1,260,000
Sewer Inflow and Infiltration	6/2/89	1,452,600	5.0%	6/2/2015	781,800
Wastewater Treatment	6/2/89	4,183,800	6.25%	6/2/2015	2,253,000
Wastewater Treatment	6/2/89	405,600	5.75%	6/2/2015	218,400
Highland Lake Sewer Project	6/22/94	4,353,400	5.0%	6/22/2024	3,338,400
Wastewater Treatment	6/26/98	4,132,300	4.50%	6/26/2018	3,512,455
Water Treatment Plant	8/3/98	995,400	4.50%	8/3/2018	895,860
Water Mains	11/1/98	1,500,000	4.0328%	11/1/2013	1,300,000

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.

Note 3 - Detail Notes on All Funds and Account Groups (Continued):

Summary of Bond Principal and Interest Payments - The annual requirements to amortize bond principal and interest are as follows:

<u>Fiscal Year</u>	<u>General Long-Term Debt Account Group</u>		<u>Proprietary Funds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2002	\$ 375,000	\$ 192,843	\$ 873,785	\$ 696,594
2003	375,000	166,780	873,785	649,039
2004	375,000	140,530	873,785	601,343
2005	375,000	114,280	873,785	554,574
2006	375,000	88,030	873,785	554,574
Subsequent	<u>1,055,000</u>	<u>109,163</u>	<u>9190,990</u>	<u>3,015,389</u>
	<u>\$ 2,930,000</u>	<u>\$ 811,626</u>	<u>\$ 13,559,915</u>	<u>\$ 6,025,502</u>

Changes in General Long-Term Debt - The following is a summary of transactions in the General Long-Term Debt Account Group for the year ended June 30, 2001:

	<u>Bonds and Notes Payable</u>	<u>Claims and Judgments</u>	<u>Accrued Vacation and Sick Leave Benefits</u>	<u>Obligations Under Capital Leases</u>	<u>Total</u>
Balance, July 1, 2000	\$ 3,380,000	\$ 932,758	\$ 866,727	\$ 642,552	\$ 5,822,037
Payments made under capital lease obligations				(190,152)	(190,152)
Capital lease obligations entered into				25,629	25,629
Debt retired	(450,000)				(450,000)
Increase in heart and hypertension liability		32,548			32,548
Increase in accrued vacation and sick leave benefits			74,682		74,682
Balance, June 30, 2001	<u>\$ 2,930,000</u>	<u>\$ 965,306</u>	<u>\$ 941,409</u>	<u>\$ 478,029</u>	<u>\$ 5,314,744</u>

TOWN OF WINCHESTER, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS

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Note 3 - Detail Notes on All Funds and Account Groups (Continued):

Obligations Under Capital Leases - The Town has entered into various capital leases for the purchase of fire trucks, police cruisers and other equipment. The leases require monthly lease payments through 2005. Future minimum lease payments as of June 30, 2001 are as follows:

<u>Fiscal Year</u>		
2002	\$	223,239
2003		162,296
2004		83,816
2005		58,006
Total minimum lease payments		527,357
Less amount representing interest		49,328
 Present Value of Future Minimum Lease Payments	 \$	 <u><u>478,029</u></u>

The Town is subject to the General Statutes of the State of Connecticut which limits the amount of debt outstanding at June 30, 2001. In no case shall total indebtedness exceed seven times annual receipts from taxation. The maximum debt amount permitted under this formula would be approximately \$108 million.

Employee Retirement System:

Plan Description

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 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, and 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) receive a retirement benefit for life of 2% times years of credited service (maximum of 25) of the highest average three consecutive years of compensation out of the last ten prior to retirement. No cost of living adjustments are included. Member's 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

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Note 3 - Detail Notes on All Funds and Account Groups (Continued):

Plan membership consisted of the following at January 1, 2000, the date of the latest actuarial valuation:

Retirees, disabled and beneficiaries currently receiving benefits	21
Terminated employees entitled to benefits but not yet receiving them	7
Current plan members	<u>64</u>
Total	<u><u>92</u></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.

Funding Policy

Plan participants are required to contribute to the Plan 2.5% 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, 2001 the Town's required contribution was \$188,481 which represents 8.2% of covered payroll of \$2,297,628.

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, 2001 are as follows:

Fleet Bank:	
Fleet Stable Asset Fund	\$ 606,526
Fleet STIF EB	443,659
Galaxy Equity Growth Class H - Trust	823,592
Galaxy Equity Value FD Trust Class	558,157

TOWN OF WINCHESTER, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS, CONTINUED

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Note 3 - Detail Notes on All Funds and Account Groups (Continued):

Annual Pension Cost and Net Pension Obligations

The Town of Winchester's annual pension cost and net pension obligation to the Town of Winchester Employees' Retirement Fund for the year ended June 30, 2001 were as follows:

Annual required contribution (ARC)	\$	188,481
Interest on net pension obligation		-
Adjustment to annual required contribution		-
		-
Annual pension cost		188,481
Contributions made**		188,481
		-
Increase in net pension obligation		-
Net pension obligation, beginning of year		-
Net Pension Obligation, End of Year	\$	-

** Contribution will be made prior to 6/30/02

The annual required contribution for the current year was determined as part of the January 1, 2000 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) an 8.5 % investment rate of return and (b) 5% 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 four-year period. The Plan is fully funded and, therefore, immediate recognition of gains and losses is applied. The remaining amortization period for benefit improvements as of January 1, 2000 is zero years.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation
6/30/99	\$ 61,366	\$ 61,366	100	-
6/30/00	95,805	95,805*	100	-
6/30/01	188,481	188,481**	100	-

* Contribution was made prior to June 30, 2001

** Contribution will be made prior to June 30, 2002

TOWN OF WINCHESTER, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS, CONTINUED

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Note 3 - Detail Notes on All Funds and Account Groups (Continued):

Required Supplementary Information

Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
1/1/93	\$ 2,197,363	\$ 2,083,918	\$ (113,945)	105.4%	\$ 1,852,200	(6.1)%
1/1/94	2,503,025	2,340,208	(162,817)	107.0	1,969,209	(8.3)
1/1/95	2,823,495	2,598,565	(224,930)	108.7	1,879,466	(12.0)
1/1/96	2,811,978	2,811,978	-	100.0	1,905,623	-
1/1/97	3,231,242	3,113,776	(117,466)	103.8	1,965,683	(6.0)
1/1/98	3,673,330	3,541,261	(132,069)	103.7	1,934,556	(6.8)
1/1/99	4,053,007	3,926,577	(126,430)	103.2	2,118,074	(6.0)
1/1/00	4,418,779	4,196,794	(221,985)	105.3	2,297,628	(9.7)

Schedule of Employer Contributions:

Year Ended	Annual Required Contribution	Percentage Contributed
6/30/94	\$ -	100% *
6/30/95	-	100% *
6/30/96	69,630	100%
6/30/97	194,311	100%
6/30/98	86,382	100%
6/30/99	61,366	100%
6/30/00	95,805	100%
6/30/01	188,481	100% **

* Plan overfunding was used to satisfy all or a portion of the annual contribution requirements
 ** Contribution will be made prior to 6/30/02

TOWN OF WINCHESTER, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS, CONTINUED

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Note 3 - Detail Notes on All Funds and Account Groups (Continued):

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

Valuation date	January 1, 2000
Actuarial cost method	Projected Unit Credit
Amortization method	Fully Funded
Remaining amortization period	Zero
Asset valuation method	4-year smoothed market value
Actuarial assumptions:	
Investment rate of return*	8.5%
Projected salary increases*	5.0%
Cost-of-living adjustments	None
Plan or Assumption changes	None

* includes inflation at 3.5%

Teachers' Retirement System

Teachers participate in a contributory retirement plan administered by the State Teachers' Retirement Board. Neither the Board of Education nor the Town have a legal obligation to contribute to the retirement fund.

The State of Connecticut makes contributions to the system based on an actuarial study performed utilizing the total payroll of covered teachers in the State. For the fiscal year ended June 30, 2001, the actuarial and actual contribution was \$214,665,698. Contributions to the State Teachers' Retirement System in the amount of \$439,958 were made by the State of Connecticut on behalf of the Town of Winchester, and are recorded in the General Fund (GAAP Basis).

Participation in the system is required for all certified teachers in the State who are employed for at least an average of half-time. Teachers are 100% vested after completing 10 years of Connecticut teaching service, the last five of which must have been consecutive, if leaving Connecticut Public School service before age 60.

For the year ended June 30, 2001, teachers of the Town of Winchester contributed \$373,569 to the plan, and covered payroll for the year was \$5,336,700. Teachers are required to contribute 7% of their annual salary, with the State of Connecticut funding the remaining cost of benefits. These obligations are established under the authority of Section 10-183 of the Connecticut General Statutes.

TOWN OF WINCHESTER, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS, CONTINUED

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Note 3 - Detail Notes on All Funds and Account Groups (Continued):

Municipal Employees' Retirement System

Plan Description

All Town of Winchester 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 pension benefits for the employees of participating municipalities. 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 publicly available 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.

Any local government authority in the State of Connecticut, including towns, cities, boroughs, regional school districts, housing authorities or other special districts, may elect to participate for one or more of its departments, including elective officers; only teachers, who are covered under the Connecticut State Teachers' Retirement System, are ineligible. As of July 1, 2000, the most recent valuation available, there were 162 participating local government units (counting departments of municipalities which joined or reported separately as separate units). Two units reported no active members as of July 1, 2000. Membership in the plan at July 1, 2000 consisted of the following:

	Retirees and Beneficiaries	Terminated Vested	Active Vested	Active Nonvested
Police and Fire:				
a. Without Social Security	\$ 234	\$ 5	\$ 316	\$ 106
b. With Social Security	146	5	247	97
General:				
a. Without Social Security	2,044	36	1,798	931
b. With Social Security	2,014	104	2,846	1,639
Withdrawn Municipalities	8	-	N/A	N/A
Total Members	\$ 4,446	\$ 150	\$ 5,207	\$ 2,773

Plan provisions are set by statute of the State of Connecticut. MERS provides retirement benefits as well as death and disability benefits. Annual cost-of-living increases between 3% and 5% are paid to disabled members and nondisabled retired members over age 65. (Effective January 1, 2002, all other retired members will receive a 2.5% annual adjustment until age 65, at which point they will receive the same cost-of-living adjustment as those currently 65. For those retiring after December 31, 2001, annual cost-of-living increases will be between 2.5% and 6%.) Benefits vest after 10 years of continuous service. Members who retire after age 55 with 10

TOWN OF WINCHESTER, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

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Note 3 - Detail Notes on All Funds and Account Groups (Continued):

years of service or after 25 years of service, irrespective of age, are entitled to an annual retirement benefit, payable monthly for life, in an amount for each year of service equal to:

- If not covered by Social Security: 2% of the average of earnings for the three highest paid years of service.
- If covered by Social Security: 1-1/6% of the average of earnings not in excess of the taxable wage base for the 10 highest paid years, plus 2% of the average of earnings for the 3 highest paid years of service which is in excess of the average of earnings not in excess of the taxable wage base for the 10 highest paid years.

(Effective January 1, 2002, 1-1/2% of the three-year average of earnings not in excess of the year's breakpoint, plus 2% of the three-year average of earnings in excess of the year's breakpoint. The year's breakpoint for 2000 is \$30,600).

Covered employees are required by State statute to contribute 2-1/4% of earnings upon which Social Security tax is paid plus 5% of earnings on which no Social Security tax is paid. Each participating municipality is required to contribute the amounts necessary to finance the remaining cost of the plan.

Summary of Significant Accounting Policies

Basis of Accounting: MERS financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

Method Used to Value Investments: Retirement trust funds can invest in the following investment pools maintained by the State of Connecticut.

Mutual Fixed Income Fund - Investments consist principally of bonds and notes.

Mutual Equity Fund - Investments consist principally of common stocks.

Real Estate Fund - Investments consist principally of interest in commingled equity real estate funds.

Mutual Commercial Mortgage Fund - Investments consist principally of interest in commercial mortgages.

Mutual Venture Capital Fund - Investments consist principally of interests in venture capital partnerships that have common stock interests in emerging businesses.

TOWN OF WINCHESTER, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED

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Note 3 - Detail Notes on All Funds and Account Groups (Continued):

Mutual International Stock Fund - Investments consist principally of international equity securities.

Investments in the pooled funds are valued at cost. Market values of the investment pools are determined by the Master Custodian based on the performance of the underlying securities. Investment income is recognized as earned. Gains and losses on sales and redemptions of investments are recognized on the transaction date. There are no investments in any organizations that represent 5% or more of the net assets available for benefits.

Funding Status and Progress

The actuarial accrued liability is a measure that uses the benefit provisions and is intended to (i) help users assess the plan's funding status on a going-concern basis, and (ii) assess progress being made in accumulating sufficient assets to pay benefits when due. Allocation of the actuarial present value of projected benefits between past and future service was based on service using the entry age actuarial cost method. Entry age was established by subtracting credited service from current age on the valuation date. Assumptions, including projected pay increases, were the same as those used to determine the annual required contribution between entry age and assumed exit age.

The actuarial value of assets is based on a market-related method that recognizes assumed investment income fully each year. Differences between actual and assumed investment income are phased in over a closed five-year period.

The actuarial accrued liability was determined as part of an actuarial valuation at July 1, 2000.

Significant actuarial assumptions used include:

- a. Rate of return on the investment of present and future assets of 8.5% per year compounded annually.
- b. Projected salary increases of 3.75% per year compounded annually, attributable to inflation.
- c. Additional projected salary increases ranging from 7.5% to .75%, per year, attributable to seniority/merit.
- d. Postretirement benefit increases of 5% per year compounded annually, applied only to the benefits of disabled retirees, retirees who have reached age 65 and beneficiaries of deceased retirees who would have reached age 65, who are currently on the roll. For all others currently on the roll, 2.5% compounded annually. For current active members, 2.6% compounded annually.

TOWN OF WINCHESTER, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS, CONTINUOUS

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Note 3 - Detail Notes on All Funds and Account Groups (Continued):

Actuarial accrued liability as of July 1, 2000:

Active members	\$	540,153,078
Retirees and beneficiaries currently receiving benefits		598,169,335
Terminated employees not yet receiving benefits		14,839,028
Total actuarial accrued liability		1,153,161,441
Actuarial value of assets		1,251,609,053
Unfunded actuarial accrued liability	\$	(98,447,612)

During the year there were changes in actuarial assumptions since the last valuation. These changes were as follows:

- The rates of death after retirement for all service retirees and all beneficiaries have been decreased by using a one-year setback.
- For both the general employee group and the fire/police group, age-related salary scales are now used.
- For both the general employee group and the fire/police group, changes have been made to the rates of withdrawal, disability, death-in-service and service retirement.
- The real rate of return assumption has been increased from 4% to 4.75%, and the inflation assumption has been reduced from 4.5% to 3.75% (this latter change has been reflected in the salary increase assumptions as well). Therefore, the overall annual interest rate for the valuation is still 8.5%.

These changes in assumptions increased the actuarial accrued liability by \$105,555,391.

During the year there were changes in benefit provisions since the last valuation. These changes were as follows:

- For active members, a requirement for service retirement has been changed to the attainment of age 55 and 5 years of continuous service.
- For active members, the service requirement for vesting is now the attainment of 5 years of continuous service.
- For active members, the service requirement for a death-in-service benefit is now the attainment of 5 years of continuous service.

TOWN OF WINCHESTER, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUING

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Note 3 - Detail Notes on All Funds and Account Groups (Continued):

- For active members with Social Security coverage, the post-62 formula has been changed to 1.5% of average final compensation (AFC) up to the SERS breakpoint, plus 2% of AFC in excess of the breakpoint, multiplied by years of service. The SERS breakpoint for 2000 is \$30,600. For all future years, the breakpoint is assumed to increase by 6% annually, rounded to the nearest \$100.
- For active members, the cost-of-living adjustment (COLA) has been changed to equal 60% of the annual increase in CPI up to 6%, plus 75% of the annual increase in CPI in excess of 6%. The minimum annual COLA is 2.5%; the maximum is 6%.
- For existing retirees and beneficiaries not currently receiving a COLA, a 2.5% annual COLA is granted until age 65. At age 65 the current COLA is to be granted.

These changes in benefit provisions increased the actuarial accrued liability by \$2,011,717.

There were no changes in actuarial methods since the last valuation.

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.

- a. The contributions are actuarially determined using the entry age normal method.
- b. The actuarial assumptions are the same as those used to compute the actuarial accrued liability discussed in Section C above.
- c. Contributions totaling \$26,236,358 (\$15,527,281 employer and \$10,709,077 employee) were made for the plan year ended June 30, 2001 in accordance with actuarially determined contribution requirements based on an actuarial valuation performed as of July 1, 2000. These contributions consisted of: (a) \$21,476,319 normal cost and (b) \$4,760,039 amortization of the unfunded actuarial accrued liability. The employer and employee contributions represent 5.3% and 3.7% of covered payroll, respectively, as of July 1, 2000.

TOWN OF WINCHESTER, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS, CONTINUED

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Note 3 - Detail Notes on All Funds and Account Groups (Continued):

Ten-Year Historical Trend Information

Ten-year historical trend information designed to provide information about MERS' progress made in accumulating sufficient assets to pay benefits when due is presented below. The schedule of funding progress is shown in millions of dollars.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded Actuarial Accrued Liability	Annual Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
7/1/92	\$ 545	\$ 539	101%	\$ (6)	\$ 203	(3)%
7/1/93	601	586	103	(15)	215	(7)
7/1/94	653	635	103	(18)	226	(8)
7/1/95	711	661	108	(50)	237	(21)
7/1/96	782	692	113	(90)	243	(37)
7/1/97	872	731	119	(141)	246	(57)
7/1/98	980	814	120	(166)	258	(64)
7/1/99	1,101	860	128	(241)	269	(90)
7/1/00	1,252	1,153	109	(99)	290	(34)

The schedule of revenues by source and expenses by type is shown in millions of dollars.

Fiscal Year	Revenues by Source						Expenses by Type		
	Employee Contributions	Employer Contributions*	Investment Income	Realized Gains	Other	Total	Benefits	Refunds	Total
1991-92	\$ 7.0	\$ 22.4	\$ 23.2	\$ 6.7	\$ -	\$ 59.3	\$ 24.2	\$ 1.0	\$ 25.2
1992-93	7.3	24.1	24.8	4.8	-	61.0	26.5	0.8	27.3
1993-94	7.8	23.1	25.6	1.8	-	58.3	29.2	0.9	30.1
1994-95	7.6	22.2	28.1	1.2	-	59.1	31.4	1.2	32.6
1995-96	8.4	23.2	31.3	12.8	-	75.7	33.6	1.2	34.8
1996-97	8.4	21.3	34.9	(15.4)	-	49.2	36.5	1.0	37.5
1997-98	8.5	18.8	38.2	55.3	-	120.8	40.4	1.2	41.6
1998-99	9.7	18.1	38.9	0.1	-	66.8	43.6	1.4	45.0
1999-00	12.3	32.0	47.7	24.5	-	116.5	48.4	1.3	49.7
2000-01	10.7	15.5	46.2	(0.3)	-	72.1	52.1	1.4	53.5

* Contributions were made in accordance with actuarially determined requirements.

TOWN OF WINCHESTER, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS, CONTINUED

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Note 3 - Detail Notes on All Funds and Account Groups (Continued):

Interfund Receivables and Payables - Individual interfund receivable and payable balances at June 30, 2001 are as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 202,293	\$ 196,557
Special Revenue Funds:		
Small Cities		
Industrial Park #2		2,600
Dog Fund	5,791	17,572
Federal and State Education Grants		3,777
Sewer Assessment Fund	113,103	
Town Aid Roads Fund		831
Infrastructure Grant 1	82,176	
Other	609	56,945
Enterprise Funds:		
Waterworks	148,447	259,751
Sewer	312,000	231,081
Nonexpendable Trust Funds:		
Other		8,596
Fiduciary Funds:		
Town Deposit		4,536
	\$ 782,246	\$ 782,246

C. Equity:

Contributed Capital - There were no changes in the Town's contributed capital accounts for its Enterprise Funds for the year ended June 30, 2001.

TOWN OF WINCHESTER, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS, CONTINUED

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Note 4 - Segment Information:

The Town through its Enterprise Funds is engaged in the management and operation of a water and sewer system. Segment information for the year ended June 30, 2001 follows:

	<u>Waterworks</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues	\$ <u>1,754,242</u>	\$ <u>1,227,063</u>	\$ <u>2,981,305</u>
Operating expenses	\$ <u>1,273,164</u>	\$ <u>1,566,313</u>	\$ <u>2,839,477</u>
Depreciation expense	\$ <u>383,888</u>	\$ <u>546,464</u>	\$ <u>930,352</u>
Operating income (loss)	\$ <u>481,078</u>	\$ <u>(339,250)</u>	\$ <u>141,828</u>
Nonoperating revenues (expenses)	\$ <u>661,701</u>	\$ <u>(330,127)</u>	\$ <u>331,574</u>
Transfers	\$ <u>-</u>	\$ <u>319,009</u>	\$ <u>319,009</u>
Net income (loss)	\$ <u>1,142,779</u>	\$ <u>(350,368)</u>	\$ <u>792,411</u>
Rents receivable, net of allowance for uncollectible accounts of \$8,671	\$ <u>303,277</u>	\$ <u>204,448</u>	\$ <u>507,725</u>
Acquisition and construction of capital assets	\$ <u>1,010,450</u>	\$ <u>70,430</u>	\$ <u>1,080,880</u>
Total assets	\$ <u>17,399,364</u>	\$ <u>22,812,007</u>	\$ <u>40,211,371</u>
Net working capital	\$ <u>127,690</u>	\$ <u>1,130,834</u>	\$ <u>1,258,524</u>
Bonds and notes payable (payable from operating revenues)	\$ <u>6,968,315</u>	\$ <u>6,591,600</u>	\$ <u>13,559,915</u>
Total fund equity	\$ <u>9,729,092</u>	\$ <u>15,879,137</u>	\$ <u>25,608,229</u>

Note 5 - Summary Disclosure of Significant Contingencies and Commitments:

The Town of Winchester and two other towns are served by Regional Refuse District No. 1, a legislatively chartered entity. Regional Refuse District No. 1 has been identified by the EPA as a potentially responsible party (PRP) and has been designated as a National Priorities List. Superfund-related expenditures have been included in the District's operating budget. The towns served by the District are required to pay any shortfall in the Regional Refuse District No. 1 operating budget. The Town of Winchester pays approximately 54.6% of such shortfall. No estimate of a future liability can be assessed at this time. The Town owns an additional inactive landfill which has been closed and capped for a number of years. No post-closure costs are anticipated at this time.

TOWN OF WINCHESTER, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED

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Note 5 - Summary Disclosure of Significant Contingencies and Commitments (Continued)

The Town of Winchester is subject to certain orders of the Commissioner of Environmental Protection and the Commissioner of Public Health and Addiction Services of the State of Connecticut with respect to the Town's water system and abatement of water pollution.

The Town of Winchester and its employees are defendants in numerous claims and legal actions. It is the opinion of Town officials that such pending litigation will not be finally determined so as to result individually, or in the aggregate, in a final judgment against the Town that would materially adversely affect its financial position.

The Town participates in a number of federal and state assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The audits of certain of these programs for or including the year ended June 30, 2001 have not yet been conducted. Accordingly, the Town's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

At June 30, the Town had commitments of approximately \$1,600,000 for the replacement of water mains.

Note 6 - Long-Term Loans Receivable:

At June 30, 2001, the Town had long-term loans outstanding of \$1,959,422 in connection with the Small Cities Grant Programs. This grant allows the Town to make loans to qualifying individuals for use in improving low-to-moderate-income housing. Loans to nonoccupant owners generally require a matching of funds by the owner in a ratio of 75% grant funds to 25% owner funds. These loans are amortized over a 10-year period, including interest at 6% per annum. Loans to occupant owners are made on a wide variety of repayment terms which range from 10 years to due in full upon sale of the residence. Interest charged on the owner occupant loans ranges from 0% to 3% per annum. All loans are secured through a lien on the property.

Note 7 - 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. Settled claims for these risks did not exceed commercial insurance coverage during the years ended June 30, 2000 and 2001. Town insurance can be described as follows:

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.

TOWN OF WINCHESTER, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

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Note 7 - Risk Management (Continued):

The Town is a member of CIRMA's Workers' Compensation Pool, a risk-sharing pool, that began on July 1, 1980. The Workers' Compensation Pool provides statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. CIRMA currently has 234 members in the Workers' Compensation Pool. The coverage is subject to an incurred loss retrospective rating plan and losses incurred in coverage period 2000-01 will be evaluated at and 18, 30 and 42 months after the effective date of coverage. The deposit contribution (premium) paid in 2000-01 by the Town was \$126,043. 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.

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SUPPLEMENTAL INFORMATION

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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.

GENERAL FUND
COMPARATIVE BALANCE SHEETS

JUNE 30, 2001 AND 2000

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	2001	2000
ASSETS		
Cash and cash equivalents	\$ 1,455,259	\$ 1,372,701
Property taxes receivable, net	914,762	953,864
Receivable from State of Connecticut	345,774	577,884
Other receivables	387,238	-
Due from other funds	202,293	109,259
Other assets	62,445	52,773
Total Assets	\$ 3,367,771	\$ 3,066,481
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accrued expenses	\$ 466,581	\$ 610,019
Due to other funds	196,557	24,444
Accrued pension contribution	167,506	85,868
Deferred revenue	775,868	826,616
Total liabilities	1,606,512	1,546,947
Fund Balances:		
Reserved:		
Encumbrances	732,361	247,830
Prepaid expenditures	62,445	52,773
Unreserved:		
Undesignated	966,453	1,218,931
Total fund balances	1,761,259	1,519,534
Total Liabilities and Fund Balances	\$ 3,367,771	\$ 3,066,481

TOWN OF WINCHESTER, CONNECTICUT

GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASISFOR THE YEAR ENDED JUNE 30, 2001
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2000

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	2001		Variance - Favorable (Unfavorable)	2000 Actual
	Revised Budget	Actual		
Revenues:				
Tax collector:				
General property taxes	\$ 14,511,427	14,471,539	\$ (39,888)	\$ 14,387,570
Interest and lien fees	253,000	258,868	5,868	344,656
Total tax collector	<u>14,764,427</u>	<u>14,730,407</u>	<u>(34,020)</u>	<u>14,732,226</u>
Intergovernmental revenues:				
Education Equalization Grants	6,535,849	6,213,961	(321,888)	6,222,547
Tax relief for elderly and disabled	120,000	107,707	(12,293)	126,363
Elementary transportation	331,133	299,147	(31,986)	282,826
Town Aid Roads	173,698	172,867	(831)	173,728
Surplus revenue sharing	118,731	118,731	-	-
Soldiers monument restoration	300,000	-	(300,000)	-
Welfare	-	-	-	2,057
Manufacturers' PILOT Grant	320,537	399,105	78,568	320,537
Reimbursement for private property tax exemptions	224,532	224,791	259	205,564
Reimbursement for revenue loss on motor boats	14,829	14,829	-	14,829
Highland lake catch basins	200,000	-	(200,000)	-
Civil defense	2,000	3,021	1,021	1,750
Riverfront Project	-	30,777	30,777	196,365
Emergency shelter	-	-	-	11,301
Dispatch console	-	-	-	25,965
Pequot-State property	289,870	289,757	(113)	290,034
Senior citizens DMR Grant program - highways	37,500	26	26	1,819
Miscellaneous grants	38,640	-	(38,640)	169,151
Telecommunications property taxes	158,776	168,477	9,701	158,776
School renovation project	385,221	385,221	-	599,992
Blind Grant	-	12,151	12,151	-
Route 8 realignment	-	18,097	18,097	-
Main Street Enhancement	-	54,975	54,975	-
Emergency Generator-Fire Dept	-	34,150	34,150	-
CAMA grant	-	-	-	27,500
Total intergovernmental revenues	<u>9,251,316</u>	<u>8,547,790</u>	<u>(703,526)</u>	<u>8,831,104</u>

(Continued on following page)

TOWN OF WINCHESTER, CONNECTICUT

GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS (CONTINUED)FOR THE YEAR ENDED JUNE 30, 2001
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2000

	2001			2000 Actual
	Revised Budget	Actual	Variance - Favorable (Unfavorable)	
Other revenues:				
Interest income	\$ 150,000	\$ 148,837	\$ (1,163)	\$ 144,429
Sale of equipment and land	7,500	45,729	38,229	17,915
Town Clerk	100,000	104,055	4,055	119,192
Parking fines	27,614	17,238	(10,376)	8,489
Superior Court Fines		120	120	-
Building permits	60,000	80,008	20,008	79,962
Zoning and inspection fees	7,500	11,013	3,513	11,264
Fire Marshall revenue	250	180	(70)	60
Cemeteries - grave openings	22,000	9,060	(12,940)	19,500
Senior Citizen Center receipts	6,450	13,981	7,531	-
Cemeteries	11,000	18,040	7,040	19,250
Police reports	1,500	72	(1,428)	404
Police permits	1,000	1,588	588	1,532
Probate Court	550		(550)	2,590
Ambulance revenue			-	9,212
Miscellaneous	203,222	185,196	(18,026)	340,124
Total other revenues	<u>598,586</u>	<u>635,117</u>	<u>36,531</u>	<u>773,923</u>
Total revenues	<u>24,614,329</u>	<u>23,913,314</u>	<u>(701,015)</u>	<u>24,337,253</u>
Expenditures:				
Board of Education	<u>14,842,504</u>	<u>14,811,130</u>	<u>31,374</u>	<u>14,726,567</u>
Public works:				
Highways	1,667,146	1,645,515	21,631	1,560,981
Streetlighting	141,175	130,548	10,627	118,981
Total public works	<u>1,808,321</u>	<u>1,776,063</u>	<u>32,258</u>	<u>1,679,962</u>
Public safety:				
Police Department	1,864,089	1,886,206	(22,117)	2,076,421
Fire Department	360,393	319,648	40,745	313,018
Other public safety	208,781	214,759	(5,978)	144,455
Civil defense	8,353	7,263	1,090	7,409
Ambulance service	90,657	71,390	19,267	63,883
Total public safety	<u>2,532,273</u>	<u>2,499,266</u>	<u>33,007</u>	<u>2,605,186</u>
Miscellaneous	<u>813,868</u>	<u>861,068</u>	<u>(47,200)</u>	<u>931,481</u>

(Continued on following page)

TOWN OF WINCHESTER, CONNECTICUT

A-2

GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2001
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2000

DO NOT BE USED ONLY FOR MANAGEMENT
DISCUSSION PURPOSES- ENGAGEMENT IS
INCOMPLETE- THIS DRAFT IS SUBJECT TO
FINAL REVIEW AND POSSIBLE REVISION

	2001		Variance - Favorable (Unfavorable)	2000 Actual
	Revised Budget	Actual		
General government:				
Finance:				
Accountants	\$ 128,445	132,379	\$ (3,934)	\$ 127,408
Assessor	111,575	112,657	(1,082)	111,487
Tax collector	61,755	60,393	1,362	54,327
Treasurer	5,925	5,925	-	5,925
Total finance	<u>307,700</u>	<u>311,354</u>	<u>(3,654)</u>	<u>299,147</u>
Buildings	142,641	144,918	(2,277)	226,692
Town Manager	194,497	196,793	(2,296)	173,829
Town Clerk	126,964	114,579	12,385	119,762
Selectmen	29,472	28,340	1,132	27,034
Law	77,000	109,660	(32,660)	87,309
Registrars	32,276	30,454	1,822	28,973
Boards	22,660	14,372	8,288	968
Other:				
Economic Development Commission	23,590	22,819	771	33,584
Probate Court	3,565	2,644	921	3,307
Soldiers Monument Commission	5,050	2,229	2,821	1,908
Laurel City Commission	3,000	3,038	(38)	4,161
Litchfield Conservation District	1,953	1,953	-	1,953
Conservation Commission	25,350	13,608	11,742	27,967
Shade Tree Committee	1,000		1,000	
Advisory Commission for Disabled	1,000	539	461	1,065
Data processing	126,346	123,336	3,010	130,953
Rural Transit Authority	1,823	1,823	-	1,823
Inland Wetlands Commission	37,142	36,684	458	32,868
Town Planner	153,904	155,769	(1,865)	80,384
Redevelopment Agency	25,000	24,438	562	25,000
Town of Winchester Historians	500	275	225	457
	<u>409,223</u>	<u>389,155</u>	<u>20,068</u>	<u>345,430</u>
Total general government	<u>1,342,433</u>	<u>1,339,625</u>	<u>2,808</u>	<u>1,309,144</u>

(Continued on following page)

TOWN OF WINCHESTER, CONNECTICUT

GENERAL FUND

SCHEDULE OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL - NON-GAAP BUDGETARY BASIS (CONTINUED)FOR THE YEAR ENDED JUNE 30, 2001
WITH COMPARATIVE ACTUAL AMOUNTS OR THE YEAR ENDED JUNE 30, 2000

BE USED ONLY FOR MANAGEMENT
DISCUSSION PURPOSES- ENGAGEMENT IS
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	2001			2000 Actual
	Revised Budget	Actual	Variance - Favorable (Unfavorable)	
Welfare	\$ 49,202	49,875	\$ (673)	\$ 43,596
Health	225,561	210,311	15,250	125,491
Parks and recreation:				
Organized recreation	179,716	165,726	13,990	160,848
Municipal parks	15,465	8,020	7,445	4,788
Total parks and recreation	195,181	173,746	21,435	165,636
Library	190,400	174,533	15,867	199,333
Waste disposal and recycling	532,517	532,517	-	514,065
Debt service	672,054	672,054	-	709,105
Capital outlay:				
Public works	535,069	350,865	184,204	162,781
General government	486,130	55,688	430,442	340,647
Public safety	483,552	398,827	84,725	208,831
Riverfront recapture			-	256,163
Miscellaneous	65,621	44,601	21,020	26,607
Total capital outlay	1,570,372	849,981	720,391	995,029
Total expenditures	24,774,686	23,950,169	824,517	24,004,595
Excess (Deficiency) of Revenues over Expenditures	(160,357)	(36,855)	123,502	332,658
Other Financing Sources (Uses):				
Proceeds from capital leases			-	3,581
Operating transfers in	12,000		(12,000)	5,337
Operating transfers out	(211,143)	(205,951)	5,192	(323,076)
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	\$ (359,500)	\$ (242,806)	\$ 116,694	\$ 18,500

DO NOT BE USED ONLY FOR MANAGEMENT
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SPECIAL REVENUE FUNDS

Small Cities Grants - To account for federal grant revenues from the U.S. Department of Housing and Urban Development for various grant years.

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 - To account for revenues and expenditures of various education grants.

Fire Truck Fund - To accumulate funds for the purchase of a new fire truck for the Town.

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.

Sewer Assessment Fund - To account for the sewer assessment revenues and expenditures related to the Highland Lake sewer project.

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

Brownfields Project - 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 Grants - To account for revenues and expenditures relating to water improvements, drain improvements, and lighting.

TOWN OF WINCHESTER, CONNECTICUT
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET

B-1

JUNE 30, 2001
WITH COMPARATIVE TOTALS FOR JUNE 30, 2000

	Small Cities Grants	Industrial Park #2	Cafeteria	Federal and State Education Grants	Fire Truck	Town Aid Roads Fund	Winchester Emergency Shelter	Dog Fund	Sewer Assessment Fund	Brownfields Pilot Program	Infrastructure Grant 1	Infrastructure Grant 2	Other	Totals
	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001	2001	2000
ASSETS														
Cash and cash equivalents	\$ 86,066	\$ 280,839	\$ 16,757	\$	\$ 3,432	\$ 37,568	\$ 432	\$ 9,531	\$	\$ 22	\$ 32,054	\$	\$ 205,047	\$ 798,428
Accounts receivable:														
State of Connecticut	50,000		30,113	104,349					2,542,904		223,499			152,381
Other	1,959,422							5,791	113,103		82,176		609	4,593,918
Due from other funds														138,344
Other assets			9,570											9,176
Total Assets	\$ 2,095,488	\$ 280,839	\$ 56,440	\$ 104,349	\$ 3,432	\$ 37,568	\$ 432	\$ 15,322	\$ 2,656,007	\$ 22	\$ 114,230	\$ 223,499	\$ 205,656	\$ 5,692,247
LIABILITIES AND FUND BALANCES														
Liabilities:														
Accounts payable and accrued liabilities	\$	\$	\$ 3,768	\$	\$	\$ 831	\$ 4,604	\$ 4,282	\$ 3,709	\$	\$	\$ 223,499	\$ 1,231	\$ 241,093
Due to other funds		2,600		3,777				17,572					56,945	81,725
Due to State of Connecticut		153,130		16,894										170,024
Deferred revenue	2,031,272			83,678					2,559,517					4,917,743
Total liabilities	2,031,272	155,730	3,768	104,349	-	831	4,604	21,854	2,553,226	-	-	223,489	58,176	5,137,309
Fund Balances:														
Unreserved:														
Undesignated	64,216	125,109	52,672		3,432	36,737	(4,172)	(6,532)	122,781	22	114,230		147,480	519,124
Total Liabilities and Fund Balances	\$ 2,095,488	\$ 280,839	\$ 56,440	\$ 104,349	\$ 3,432	\$ 37,568	\$ 432	\$ 15,322	\$ 2,656,007	\$ 22	\$ 114,230	\$ 223,499	\$ 205,656	\$ 5,692,247

BE USED ONLY FOR MANAGEMENT DISCUSSION PURPOSES; ENGAGEMENT IS INCOMPLETE; THIS DRAFT IS SUBJECT TO FINAL REVIEW AND POSSIBLE REVISION

TOWN OF WINCHESTER, CONNECTICUT
SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2001
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2000

	Small Cities Grants	Industrial Park #2	Cafeteria	Federal and State Education Grants	Fire Truck	Town Aid Roads Fund	Winchester Emergency Shelter	Dog Fund	Sewer Assessment Fund	Brownfields Pilot Program	Infrastructure Grant 1	Infrastructure Grant 2	Other	2001	2000
Revenues:															
Federal and state grants	\$ 248,215	\$ -	\$ 147,729	\$ 541,063	\$ -	\$ -	\$ 46,438	\$ -	\$ -	\$ 126,124	\$ 549,045	\$ 500,000	\$ 103,879	\$ 2,262,493	\$ 1,086,398
Commodity sales			228,940										5,869	228,940	224,864
Interest income	1,144				75									7,088	3,125
Program income	38,535								164,343					38,535	22,839
Special assessments			26,248					8,646	135,041					164,343	173,529
Other			402,917	541,063	75		46,438	8,646	298,384	126,124	549,045	500,000	57,621	227,556	190,112
Total revenues	287,894	-	402,771	541,063	75	-	46,438	8,646	298,384	126,124	549,045	500,000	167,369	2,928,955	1,701,867
Program and Project Expenditures	275,249		402,771	541,063		149,395	59,856	44,542		126,204	434,815	500,000	145,151	2,679,046	1,692,491
Excess (Deficiency) of Revenues over Expenditures	12,645	-	146	-	75	(149,395)	(13,418)	(35,896)	298,384	(80)	114,230		22,218	249,909	9,376
Other Financing Sources (Uses):															
Operating transfers in						172,867		33,084	(319,009)						
Operating transfers out															
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	12,645	-	146	-	75	23,472	(13,418)	(2,812)	(19,625)	(80)	114,230		22,218	136,851	(106,324)
Fund Balances at Beginning of Year	51,571	125,109	52,526	-	3,357	13,265	9,246	(3,720)	142,406	102			125,262	519,124	625,448
Fund Balances at End of Year	\$ 64,216	\$ 125,109	\$ 52,672	\$ -	\$ 3,432	\$ 36,737	\$ (4,172)	\$ (6,532)	\$ 122,781	\$ 22	\$ 114,230	\$ -	\$ 147,480	\$ 655,975	\$ 519,124

BE USED ONLY FOR MANAGEMENT
DISCUSSION PURPOSES; ENGAGEMENT
INCOMPLETE; THIS DRAFT IS SUBJECT TO
FINAL REVIEW AND POSSIBLE REVISIONS

BE USED ONLY FOR MANAGEMENT
DISCUSSION PURPOSES. ENGAGEMENT IS
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ENTERPRISE FUNDS

Waterworks Fund - 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.

Sewer Fund - 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.

TOWN OF WINCHESTER, CONNECTICUT

C-1

ENTERPRISE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2001

WITH COMPARATIVE TOTALS FOR JUNE 30, 2000

BE USED ONLY FOR MANAGEMENT
DISCUSSION PURPOSES; ENGAGEMENT IS
INCOMPLETE; THIS DRAFT IS SUBJECT TO
FINAL REVIEW AND POSSIBLE REVISIONS

	Waterworks	Sewer	Totals	
			2001	2000
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 210,109	1,018,494	\$ 1,228,603	\$ 1,537,936
Rents receivable, net of allowance for uncollectible accounts of \$8,671 (water) and \$4,732 (sewer) in 2001 and 2000	303,277	199,716	502,993	512,445
Grants receivable	263,717		263,717	
Accrued utility revenue	417,054	254,349	671,403	628,528
Due from other funds	66,274	312,000	378,274	93,657
Total current assets	1,260,431	1,784,559	3,044,990	2,772,566
Property, Plant and Equipment:				
Land	57,556	27,920	85,476	85,476
Buildings, structures and improvements	15,734,901	26,543,055	42,277,956	42,250,956
Equipment	544,575	204,863	749,438	700,211
Distribution reservoirs and standpipes	487,871		487,871	487,871
Construction in process	2,494,562		2,494,562	1,489,910
Total fixed assets	19,319,465	26,775,838	46,095,303	45,014,424
Less accumulated depreciation	3,180,532	5,748,390	8,928,922	7,998,571
Net property, plant and equipment	16,138,933	21,027,448	37,166,381	37,015,853
Total Assets	\$ 17,399,364	\$ 22,812,007	\$ 40,211,371	\$ 39,788,419
LIABILITIES AND FUND EQUITY				
Liabilities:				
Current liabilities:				
Current portion of bonds payable	\$ 496,385	377,400	\$ 873,785	\$ 873,785
Accounts payable and accrued liabilities	376,605	45,244	421,849	145,017
Due to other funds	259,751	231,081	490,832	266,786
Total current liabilities	1,132,741	653,725	1,786,466	1,285,588
Accrued vacation and sick leave benefits	65,601	64,945	130,546	127,099
Bonds payable, net of current portion	6,471,930	6,214,200	12,686,130	13,559,915
Total liabilities	7,670,272	6,932,870	14,603,142	14,972,602
Fund Equity:				
Contributed capital	3,411,400	15,253,865	18,665,265	18,665,265
Retained earnings	6,317,692	625,272	6,942,964	6,150,552
Total fund equity	9,729,092	15,879,137	25,608,229	24,815,817
Total Liabilities and Fund Equity	\$ 17,399,364	\$ 22,812,007	\$ 40,211,371	\$ 39,788,419

TOWN OF WINCHESTER, CONNECTICUT

C-2

ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGSFOR THE YEAR ENDED JUNE 30, 2001
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2000BE USED ONLY FOR MANAGEMENT
DISCUSSION PURPOSES. ENGAGEMENT
COMPLETE. THIS DRAFT IS NOT
FOR REVIEW AND POSSIBLE

	Waterworks	Sewer	Totals	
			2001	2000
Operating Revenues:				
Rents	\$ 1,599,617	1,026,078	\$ 2,625,695	\$ 2,666,190
Fines, penalties and interest	80,719	77,710	158,429	138,441
Other	73,906	123,275	197,181	106,730
Total operating revenues	<u>1,754,242</u>	<u>1,227,063</u>	<u>2,981,305</u>	<u>2,911,361</u>
Operating Expenses:				
Operations	610,956	760,474	1,371,430	1,150,963
Maintenance	161,823	127,133	288,956	240,788
Depreciation	383,888	546,464	930,352	930,352
Administration	116,497	132,241	248,738	208,458
Total operating expenses	<u>1,273,164</u>	<u>1,566,312</u>	<u>2,839,476</u>	<u>2,530,561</u>
Operating Income (Loss)	<u>481,078</u>	<u>(339,249)</u>	<u>141,829</u>	<u>380,800</u>
Nonoperating Revenues (Expenses):				
State and Federal grants	635,434		635,434	0
In-kind contribution	381,512		381,512	
Interest income	399	49,021	49,420	56,563
Interest expense	(355,644)	(379,148)	(734,792)	(831,338)
Net nonoperating expenses	<u>661,701</u>	<u>(330,127)</u>	<u>331,574</u>	<u>(774,775)</u>
Income (Loss) Before Operating Transfers	1,142,779	(669,376)	473,403	(393,975)
Operating Transfers In	<u>0</u>	<u>319,009</u>	<u>319,009</u>	<u>326,259</u>
Net Income (Loss)	1,142,779	(350,367)	792,412	(67,716)
Retained Earnings - Beginning of Year	<u>5,174,913</u>	<u>975,639</u>	<u>6,150,552</u>	<u>6,218,268</u>
Retained Earnings - End of Year	<u>\$ 6,317,692</u>	<u>\$ 625,272</u>	<u>\$ 6,942,964</u>	<u>\$ 6,150,552</u>

TOWN OF WINCHESTER, CONNECTICUT

ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2001
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2000

BE USED ONLY FOR MANAGEMENT
DISCUSSION PURPOSES. ENGAGEMENT IS
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FINAL REVIEW AND POSSIBLE REVISIONS.

	Waterworks	Sewer	Totals	
			2001	2000
Cash Flows from Operating Activities:				
Operating income (loss)	\$ 481,078	\$ (339,249)	\$ 141,829	\$ 380,800
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	383,888	546,464	930,352	930,352
(Increase) decrease in operating assets:				
Rents receivable	(16,141)	20,861	4,720	(72,948)
Receivable from State of Connecticut	(263,717)		(263,717)	
Accrued utility revenue	(24,752)	(13,392)	(38,144)	(65,482)
Other assets			-	-
Amounts due from other funds	(54,922)	(229,694)	(284,616)	(15,256)
Increase (decrease) in operating liabilities:				
Accounts payable and accrued liabilities	258,439	18,390	276,829	(38,045)
Amounts due to other funds	228,180	(4,132)	224,048	44,013
Accrued vacation and sick leave benefits	11,940	(8,492)	3,448	24,386
Net cash provided by operating activities	<u>1,003,993</u>	<u>(9,244)</u>	<u>994,749</u>	<u>1,187,820</u>
Cash Flows from Noncapital Related Financing Activities:				
Operating transfers in		319,009	319,009	326,259
Net cash provided by noncapital related financing activities	<u>-</u>	<u>319,009</u>	<u>319,009</u>	<u>326,259</u>
Cash Flows from Capital and Related Financing Activities:				
Grants received from state and federal governments	635,434		635,434	-
Principal payments on bonds payable	(496,385)	(377,400)	(873,785)	(873,785)
Interest paid on notes and bonds payable	(355,644)	(379,148)	(734,792)	(831,338)
Acquisition and construction of capital assets	(628,938)	(70,430)	(699,368)	(65,774)
Net cash used in capital and related financing activities	<u>(845,533)</u>	<u>(826,978)</u>	<u>(1,672,511)</u>	<u>(1,770,897)</u>
Cash Flows from Investing Activities:				
Interest income	399	49,021	49,420	56,563
Net cash provided by investing activities	<u>399</u>	<u>49,021</u>	<u>49,420</u>	<u>56,563</u>
Net Decrease in Cash and Cash Equivalents	158,859	(468,192)	(309,333)	(200,255)
Cash and Cash Equivalents at Beginning of Year	51,250	1,486,686	1,537,936	1,738,191
Cash and Cash Equivalents at End of Year	<u>\$ 210,109</u>	<u>\$ 1,018,494</u>	<u>\$ 1,228,603</u>	<u>\$ 1,537,936</u>

FIDUCIARY FUNDS

BE USED ONLY FOR MANAGEMENT
DISCUSSION PURPOSES; ENGAGEMENT
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Pension Trust Fund - To account for contributions and pension benefits and other costs associated with the operation of the Town's pension plan.

Nonexpendable Trust 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.

Expendable Trust Funds:

Winchester Memorial Parks Fund - To account for funds to be used for repairs and maintenance of local parks.

Other - To account for funds contributed to the Town which are to be used for a specified purpose.

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.

General Assistance Fund - To account for financial assistance provided to local residents.

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

TOWN OF WINCHESTER, CONNECTICUT
 FIDUCIARY FUNDS

D-1

COMBINING BALANCE SHEET

JUNE 30, 2001
 WITH COMPARATIVE TOTALS FOR JUNE 30, 2000

	Pension Trust Fund* 2000	Winchester		Nonexpendable Trust Funds			
		School Trust	Sinking	Forest View Cemetery	Winchester Center Cemetery	Other	
ASSETS							
Cash and cash equivalents	\$ 4,635,734	\$ 57,896	\$ 78,383	\$ 137,998	\$ 38,206	\$ 154,779	
Investments	284,286						
Contribution receivable							
Total Assets	\$ 4,920,020	\$ 57,896	\$ 78,383	\$ 137,998	\$ 38,206	\$ 154,779	
LIABILITIES AND FUND BALANCES							
Liabilities:							
Fiduciary deposits Due to General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,596	
Total liabilities						8,596	
Fund Balances:							
Reserved for employee retirement system	4,920,020	57,896	78,383	137,998	38,206	146,183	
Unreserved - undesignated							
Total fund balances	4,920,020	57,896	78,383	137,998	38,206	146,183	
Total Liabilities and Fund Balances	\$ 4,920,020	\$ 57,896	\$ 78,383	\$ 137,998	\$ 38,206	\$ 154,779	

*The Pension Trust Fund has been combined using the Fund's fiscal year, which is January 1 to December 31.

(Continued on following page)

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FIDUCIARY FUNDS

COMBINING BALANCE SHEET (CONTINUED)

JUNE 30, 2001
WITH COMPARATIVE TOTALS FOR JUNE 30, 2000

	Expendable Trust Funds				Agency Funds				Totals	
	Winchester Memorial Parks	Other	Town Deposit	Student Activities	General Assistance	Other	2001	(Memorandum Only)	2000	
ASSETS										
Cash and cash equivalents	\$ 12,357	7,785	4,536	15,502	-	7,434	\$ 514,876	\$	524,396	
Investments							4,635,734		4,426,927	
Contribution receivable							284,286		157,171	
Total Assets	\$ 12,357	\$ 7,785	\$ 4,536	\$ 15,502	\$ -	\$ 7,434	\$ 5,434,896	\$	5,108,494	
LIABILITIES AND FUND BALANCES										
Liabilities:										
Fiduciary deposits	\$			15,502		7,434	\$ 22,936	\$	50,652	
Due to General Fund			4,536				13,132		7,677	
Total liabilities			4,536	15,502		7,434	36,068		58,329	
Fund Balances:										
Reserved for employee retirement system							4,920,020		4,584,098	
Unreserved - undesignated	12,357	7,785			0		478,808		466,067	
Total fund balances	12,357	7,785					5,398,828		5,050,165	
Total Liabilities and Fund Balances	\$ 12,357	\$ 7,785	\$ 4,536	\$ 15,502	\$ -	\$ 7,434	\$ 5,434,896	\$	5,108,494	

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NONEXPENDABLE TRUST FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2001
WITH COMPARATIVE TOTALS FOR JUNE 30, 2000

	Winchester School Trust	Winchester Sinking	Forest View Cemetery	Winchester Center Cemetery	Other	Totals (Memorandum Only)	
						2001	2000
Revenues:							
Interest and dividend income	\$ 6,591	2,121	3,711	1,015	6,167	\$ 19,605	\$ 15,737
Expenses:							
Other	2,100	-	3,680	938	692	7,410	2,100
Operating Income	4,491	2,121	31	77	5,475	12,195	13,637
Operating Transfers Out						-	(5,320)
Net Income	4,491	2,121	31	77	5,475	12,195	8,317
Fund Balances at Beginning of Year	53,405	76,262	137,967	38,129	140,708	446,471	438,154
Fund Balances at End of Year	\$ 57,896	\$ 78,383	\$ 137,998	\$ 38,206	\$ 146,183	\$ 458,666	\$ 446,471

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NONEXPENDABLE TRUST FUNDS

COMBINING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2001
WITH COMPARATIVE TOTALS FOR JUNE 30, 2000

	Winchester School Trust	Winchester Sinking	Forest View Cemetery	Winchester Center Cemetery	Other	Totals (Memorandum Only)	
						2001	2000
Cash Flows from Operating Activities:							
Operating income	\$ 4,491	\$ 2,121	\$ 31	\$ 77	\$ 5,475	\$ 12,195	\$ 13,637
Adjustments to reconcile operating income to net cash used in operating activities:							
Investment income	(6,591)	(2,121)	(3,711)	(1,015)	(6,167)	(19,605)	(15,737)
Increase in amount due to other funds					5,455	5,455	0
Net cash used in operating activities	<u>(2,100)</u>	<u>0</u>	<u>(3,680)</u>	<u>(938)</u>	<u>4,763</u>	<u>(1,955)</u>	<u>(2,100)</u>
Cash Flows from Noncapital Related Financing Activities:							
Operating transfers to General Fund			0	0	0	0	(5,320)
Net cash used in noncapital related financing activities	-	-	0	0	0	0	(5,320)
Cash Flows from Investing Activities:							
Investment income	6,591	2,121	3,711	1,015	6,167	19,605	15,737
Net cash provided by investing activities	<u>6,591</u>	<u>2,121</u>	<u>3,711</u>	<u>1,015</u>	<u>6,167</u>	<u>19,605</u>	<u>15,737</u>
Net Increase in Cash and Cash Equivalents	4,491	2,121	31	77	10,930	17,650	8,317
Cash and Cash Equivalents at Beginning of Year	<u>53,405</u>	<u>76,262</u>	<u>137,967</u>	<u>38,129</u>	<u>143,849</u>	<u>449,612</u>	<u>441,295</u>
Cash and Cash Equivalents at End of Year	<u>\$ 57,896</u>	<u>\$ 78,383</u>	<u>\$ 137,998</u>	<u>\$ 38,206</u>	<u>\$ 154,779</u>	<u>\$ 467,262</u>	<u>\$ 449,612</u>

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EXPENDABLE TRUST FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCESFOR THE YEAR ENDED JUNE 30, 2001
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2000

	Winchester Memorial Parks	Other	Totals	
			2001	2000
Revenues:				
Investment income	\$ 335	211	\$ 546	\$ 532
Expenditures			-	-
Excess of Revenues over Expenditures	335	211	546	532
Fund Balances at Beginning of Year	12,022	7,574	19,596	19,064
Fund Balances at End of Year	\$ 12,357	\$ 7,785	\$ 20,142	\$ 19,596

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AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2001

	Balance July 1, 2000	Additions	Deductions	Balance June 30, 2001
Town Deposit:				
Assets:				
Cash and cash equivalents	\$ 4,536	\$ 126	\$ 126	\$ 4,536
Liabilities:				
Due to General Fund	\$ 4,536	\$ 126	\$ 126	\$ 4,536
Student Activities:				
Assets:				
Cash and cash equivalents	\$ 12,233	\$ 133,843	\$ 130,574	\$ 15,502
Liabilities:				
Fiduciary deposits	\$ 12,233	\$ 133,843	\$ 130,574	\$ 15,502
General Assistance:				
Assets:				
Cash and cash equivalents	\$ 71	\$ -	\$ 71	\$ 0
Liabilities:				
Fiduciary deposits	\$ 71	\$ -	\$ 71	\$ 0
Other:				
Assets:				
Cash and cash equivalents	\$ 38,348	\$ 820	\$ 31,734	\$ 7,434
Liabilities:				
Fiduciary deposits	\$ 38,348	\$ 820	\$ 31,734	\$ 7,434
Total - All Agency Funds:				
Assets:				
Cash and cash equivalents	\$ 55,188	\$ 134,789	\$ 162,505	\$ 27,472
Total Assets	\$ 55,188	\$ 134,789	\$ 162,505	\$ 27,472
Liabilities:				
Due to General Fund	\$ 4,536	\$ 126	\$ 126	\$ 4,536
Fiduciary deposits	50,652	134,663	162,379	22,936
Total Liabilities	\$ 55,188	\$ 134,789	\$ 162,505	\$ 27,472

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GENERAL FIXED ASSETS ACCOUNT GROUP

To account for all fixed assets except those used in
Proprietary Fund operations.

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SCHEDULE OF GENERAL FIXED ASSETS BY SOURCE

JUNE 30, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
General Fixed Assets:		
Land and improvements	\$ 1,000,080	\$ 1,000,080
Buildings and improvements:		
Schools	13,022,140	12,869,366
Town Hall	899,279	899,279
Senior Citizens Center	447,170	447,170
Fire Department	115,770	88,820
Other	265,849	235,849
Vehicles and equipment:		
Schools	2,765,532	2,840,840
Town	<u>5,894,502</u>	<u>5,817,688</u>
Total General Fixed Assets	<u>\$ 24,410,322</u>	<u>\$ 24,199,092</u>
Investment in General Fixed Assets:		
Bonds and notes	\$ 10,343,250	\$ 10,322,386
Federal and state grants	4,509,333	4,509,333
Current appropriations	<u>9,557,739</u>	<u>9,367,373</u>
Total Investment in General Fixed Assets	<u>\$ 24,410,322</u>	<u>\$ 24,199,092</u>

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SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION

JUNE 30, 2001

<u>Function</u>	<u>Total</u>	<u>Land and Improvements</u>	<u>Buildings and Improvements</u>	<u>Vehicles and Equipment</u>
General Government	\$ 3,793,649	\$ 1,000,080	\$ 1,363,475	\$ 1,430,094
Public Safety	1,845,709		115,770	1,729,939
Public Works	2,798,193		180,564	2,617,629
Parks and Recreation	185,099		68,259	116,840
Education	<u>15,787,672</u>		<u>13,022,140</u>	<u>2,765,532</u>
Total General Fixed Assets Allocated by Function	<u>\$ 24,410,322</u>	<u>\$ 1,000,080</u>	<u>\$ 14,750,208</u>	<u>\$ 8,660,034</u>

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SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION

FOR THE YEAR ENDED JUNE 30, 2001

Function	Balance, July 1, 2000	Additions	Adjustments and Deletions	Balance, June 30, 2001
General Government	\$ 3,768,785	\$ 24,864	\$	\$ 3,793,649
Public Safety	1,793,759	51,950		1,845,709
Public Works	2,753,903	44,290		2,798,193
Parks and Recreation	172,439	12,660		185,099
Education	15,710,206	77,466		15,787,672
Total General Fixed Assets Allocated by Function	\$ 24,199,092	\$ 211,230	\$ -	\$ 24,410,322

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OTHER INFORMATION

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TOWN OF WINCHESTER, CONNECTICUT

E

GENERAL FUND

SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING

FOR THE YEAR ENDED JUNE 30, 2001

Grand List of October 1,	Due Date of Tax	New Levy and Uncollected Balance July 1, 2000	Lawful Corrections		Transfers to Suspense	Adjusted Tax Levies	Taxes	Collections		Taxes Receivable June 30, 2001
			Additions	Deductions				Interest and Liens	Total	
1999	7/1 and 1/1	\$ 14,308,298	\$ 9,258	\$	\$ 14,299,040	\$ 13,769,298	\$ 53,802	\$ 13,823,100	\$ 529,742	
1998	7/1 and 1/1	542,872	10,636		532,236	258,277	56,144	314,421	273,959	
1997	7/1 and 1/1	155,126	8,455		93,223	79,613	36,093	115,706	13,610	
1996*	7/1 and 1/1	575,802	72,052		489,157	352,706	112,825	465,531	136,451	
Total Grand List		\$ 15,582,098	\$ 100,401	\$	\$ 15,413,656	\$ 14,459,894	\$ 258,864	\$ 14,718,758	\$ 953,762	

*Includes collection of this list and all prior.

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TOWN OF WINCHESTER, CONNECTICUT

G

ENTERPRISE FUNDS

SCHEDULES OF WATER AND SEWER RENTS LEVIED, COLLECTED AND OUTSTANDING

FOR THE YEAR ENDED JUNE 30, 2001

Water Rents:

Levy as of July 1,	New Levy and Uncollected Balance, July 1, 2000	Collections			Water Rents Receivable, June 30, 2001
		Rents	Interest and Liens	Total	
2000	\$ 1,581,112	\$ 1,404,580	\$ 9,505	\$ 1,414,085	\$ 176,532
1999	223,168	91,357	12,191	103,548	131,811
1998*	66,391	62,787	59,000	121,787	3,604
	<u>\$ 1,870,671</u>	<u>\$ 1,558,724</u>	<u>\$ 80,696</u>	<u>\$ 1,639,420</u>	<u>\$ 311,947</u>

Sewer Rents:

Levy as of July 1,	New Levy and Uncollected Balance, July 1, 2000	Collections			Sewer Rents Receivable, June 30, 2001
		Rents	Interest and Liens	Total	
2000	\$ 1,021,096	\$ 899,736	\$ 7,438	\$ 907,174	\$ 121,360
1999	141,500	68,004	10,489	78,493	73,496
1998*	70,667	65,807	59,783	125,590	4,860
	<u>\$ 1,233,263</u>	<u>\$ 1,033,547</u>	<u>\$ 77,710</u>	<u>\$ 1,111,257</u>	<u>\$ 199,716</u>

*Includes Grand List of 1998 and all years prior.

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

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TOWN OF WINCHESTER, CONNECTICUT

H

SCHEDULE OF SURETY BONDS COVERING OFFICIALS AND EMPLOYEES

JUNE 30, 2001

Name	Title	Amount of Bond
Margaret A. Johnson	Town Manager	\$ 95,000
Henry L. Centrella, Jr.	Director of Finance	595,000
Spencer C. Monroe	Treasurer	600,000
Arlene M. Boutin	Tax Collector	147,000
Janet L. Clossom	Assistant to the Tax Collector	85,000
Arthur Borla	Ambulance Treasurer	55,000
Mark A. Douglass	Purchasing Agent	25,000
Sandra Andrews	Assistant to the Finance Director	25,000
Colleen Garrity	Assistant to the Finance Director	25,000
Sheila Sedlack	Town Clerk	5,000
Cheryl L. Carriere	Assistant Town Clerk	5,000
Public Employees Blanket Bond	Public Employees Blanket Bond	5,000
Public Works Department	Public Works Department	5,000

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STATISTICAL SECTION

TOWN OF WINCHESTER, CONNECTICUT
 GENERAL FUND EXPENDITURES BY FUNCTION
 NON-GAAP BUDGETARY BASIS

LAST TEN FISCAL YEARS

(In Thousands)

Fiscal Year	Board of Education	Public Works	Public Safety	Miscellaneous	General Government	Welfare	Health	Parks and Recreation	Library	Waste Disposal and Recycling	Debt Service	Capital Outlay	Total
1992	\$ 11,182	\$ 1,967	\$ 1,969	\$ 823	\$ 858	\$ 329	\$ 192	\$ 142	\$ 122	\$	\$ 972	\$ 640	\$ 19,196
1993	11,394	1,872	1,872	754	1,250	184	180	140	128		939	337	19,050
1994	11,668	1,597	2,005	804	1,565	186	180	140	130		906	424	19,605
1995	11,859	1,434	1,984	1,071	1,793	180	149	142	133		873	713	20,331
1996	12,112	1,428	2,050	769	1,494	174	124	137	125		782	384	19,579
1997	12,502	1,456	2,121	704	1,389	145	125	125	125		844	483	20,019
1998	13,210	1,510	2,334	933	1,523	122	115	140	128		793	610	21,418
1999	13,543	1,732	2,505	757	1,193	51	129	179	175	493	749	597	22,103
2000	14,727	1,680	2,605	931	1,309	44	125	166	199	514	709	995	24,005
2001	14,811	1,776	2,499	861	1,340	50	210	174	175	533	672	850	23,950

Source: Town of Winchester, Connecticut, Department of Finance.

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TOWN OF WINCHESTER, CONNECTICUT

Table 2

GENERAL FUND REVENUES BY SOURCE
NON-GAAP BUDGETARY BASIS

LAST TEN FISCAL YEARS

(In Thousands)

<u>Fiscal Year</u>	<u>General Property Taxes, Interest and Lien Fees</u>	<u>Intergovernmental Revenues</u>	<u>Other Revenues</u>	<u>Total</u>
1992	\$ 10,702	\$ 8,487	\$ 404	\$ 19,593
1993	10,734	8,046	263	19,043
1994	10,926	8,324	403	19,653
1995	11,374	8,618	312	20,304
1996	10,717	8,923	364	20,004
1997	11,713	8,369	453	20,535
1998	13,159	8,567	565	22,291
1999	13,300	8,654	650	22,604
2000	14,732	8,831	774	24,337
2001	14,730	8,548	635	23,913

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Source: Town of Winchester, Connecticut, Department of Finance.

TOWN OF WINCHESTER, CONNECTICUT
PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

(In Thousands)

Fiscal Year	Grand List	Mill Rate (1)	Total Tax Levy	Current Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Taxes	Percent of Outstanding Taxes to Tax Levy
1992	1990	39.00	\$ 10,662	10,017	93.96 %	\$ 481	\$ 10,498	98.46 %	\$ 1,064	9.98 %
1993	1991	39.00	10,746	10,159	94.54	377	10,536	98.05	1,112	10.35
1994	1992	39.00	10,907	10,384	95.21	351	10,735	98.42	1,241	11.38
1995	1993	39.50	11,265	10,704	95.02	442	11,146	98.94	1,304	11.58
1996	1994	25.97	10,753	10,220	95.04	320	10,540	98.02	1,451	13.49
1997	1995	27.56	11,631	10,964	94.27	532	11,496	98.84	1,455	12.51
1998	1996	29.87	12,765	12,201	95.58	617	12,818	100.42	1,316	10.31
1999	1997	30.16	12,978	12,410	95.62	464	12,874	99.20	1,254	9.66
2000	1998	33.62	14,523	13,910	95.78	673	14,583	100.41	993	6.84
2001	1999	33.17	14,580	14,001	96.03	459	14,460	99.18	954	6.54

(1) Per \$1,000 assessed value.

Sources: Town of Winchester, Connecticut, Department of the Tax Collector and Department of Finance.

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ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

(In Thousands)

Fiscal Year	Grand List	Real Property		Personal Property		Motor Vehicles		Totals		Ratio of Total Assessed to Total Estimated Actual Value
		Assessed Value	Estimated	Assessed Value	Estimated	Assessed Value	Estimated	Assessed Value	Estimated	
			Actual Value		Actual Value		Actual Value		Actual Value	
1992	1990	\$ 221,882	\$ 316,974	\$ 23,443	\$ 33,490	\$ 28,910	\$ 41,300	\$ 274,235	\$ 391,764	70
1993	1991	224,461	320,659	29,626	42,323	27,861	39,801	281,948	402,783	70
1994	1992	227,392	324,845	32,860	46,942	28,363	40,518	288,615	412,305	70
1995	1993	230,129	328,756	33,348	47,597	34,332	49,047	297,809	425,400	70
1996	1994	353,722	505,317	32,885	46,979	37,975	54,250	424,582	606,546	70
1997	1995	356,755	509,650	33,563	47,947	42,469	60,670	432,787	618,267	70
1998	1996	357,822	511,174	33,855	48,364	44,180	63,114	435,857	622,652	70
1999	1997	359,016	512,880	35,050	50,071	43,909	62,727	437,975	625,678	70
2000	1998	360,182	514,546	34,822	49,746	45,583	65,119	440,587	629,411	70
2001	1999	361,325	516,179	38,788	55,411	50,232	71,760	450,345	643,350	70

There is no overlapping taxable property.

Source: Town of Winchester, Connecticut, Department of Assessment.

DO NOT BE USED ONLY FOR MANAGEMENT DISCUSSION PURPOSES; ENGAGEMENT IS INCOMPLETE; THIS DRAFT IS SUBJECT TO FINAL REVIEW AND POSSIBLE REVISION

RATIO OF NET GENERAL BONDED DEBT TO
ASSESSED VALUE AND NET GENERAL BONDED DEBT PER CAPITA

LAST TEN FISCAL YEARS

Fiscal Year	(1) Population	(2) Assessed Value	(3)(4)(5) Net General Bonded Debt	Ratio of Net General Bonded Debt to Assessed Value	Net General Bonded Debt per Capita
1992	11,340	\$ 274,235,000	\$ 7,005,000	2.55	\$ 622
1993	11,370	281,948,000	6,550,000	2.32	576
1994	11,370	288,615,000	6,095,000	2.11	536
1995	11,342	297,809,000	5,640,000	1.89	497
1996	11,342	424,582,000	5,185,000	1.22	457
1997	11,300	432,787,000	4,730,000	1.09	419
1998	11,422	435,857,000	4,280,000	0.98	375
1999	11,422	437,975,000	3,830,000	0.87	335
2000	11,524	440,587,000	3,380,000	0.77	293
2001	11,590	450,345,000	2,930,000	0.65	253

(1) Statistics provided are estimates of the State of Connecticut Department of Health Services.

(2) Source: Town of Winchester, Connecticut, Department of Assessment.

(3) Excludes Bond Anticipation Notes.

(4) There is no overlapping debt.

(5) Source: Town of Winchester, Connecticut, Department of Finance.

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SCHEDULE OF DEBT LIMITATION

FOR THE YEAR ENDED JUNE 30, 2001

Total Tax Collections, Including Interest and Lien Fees, for Current Fiscal Year	\$ 14,730,407
Reimbursement for Revenue Loss on:	
Tax relief for elderly and disabled	107,707
Private property tax exemptions	224,791
Manufacturers PILOT grant	399,105
Motor boats	<u>14,829</u>
Base	<u>\$ 15,476,839</u>

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	General Long-Term Debt			
	General Purposes (2.25 x base)	Schools (4.50 x base)	Urban Renewal (3.25 x base)	Enterprise (3.75 x base)
Debt Limitation:				
Statutory debt limits by function	\$ <u>34,822,888</u>	\$ <u>69,645,776</u>	\$ <u>50,299,727</u>	\$ <u>58,038,146</u>
Debt:				
Bonds payable		2,930,000		13,559,915
Notes payable	<u>-</u>	<u>2,930,000</u>	<u>-</u>	<u>13,559,915</u>
Debt Limitation in Excess of Debt*	<u>\$ 34,822,888</u>	<u>\$ 66,715,776</u>	<u>\$ 50,299,727</u>	<u>\$ 44,478,231</u>

*In no event shall total debt exceed seven times annual receipts from taxation. The maximum amount permitted under this formula would be approximately \$108,337,873.

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL
BONDED DEBT TO TOTAL GENERAL EXPENDITURES

LAST TEN FISCAL YEARS

(In Thousands)

Fiscal Year	Principal(1)	Interest(1)	Total Debt Service(1)	Total General Expenditures(2)	Ratio of Debt to Total General Expenditures
1992	\$ 455	\$ 517	\$ 972	\$ 19,196	5.08 %
1993	455	484	939	19,050	4.93
1994	455	451	906	19,605	4.62
1995	455	418	873	20,331	4.29
1996	455	385	840	19,579	4.29
1997	455	352	807	20,385	3.96
1998	455	320	775	21,418	3.62
1999	450	299	749	22,103	3.39
2000	450	255	705	20,103	3.51
2001	450	222	672	23,950	2.81

(1) Includes only general bonded debt.

(2) Includes expenditures of the General Fund (non-GAAP budgetary basis).

Source: Town of Winchester, Connecticut, Department of Finance

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RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL
BONDED DEBT TO TOTAL GENERAL EXPENDITURES

LAST TEN FISCAL YEARS

(In Thousands)

Fiscal Year	Principal(1)	Interest(1)	Total Debt Service(1)	Total General Expenditures(2)	Ratio of Debt to Total General Expenditures
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(1) Includes only general bonded debt.

(2) Includes expenditures of the General Fund (non-GAAP budgetary basis).

Source: Town of Winchester, Connecticut, Department of Finance.

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DEMOGRAPHIC STATISTICS (1)

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>(2) Population</u>	<u>(3) School Enrollment</u>	<u>(4) Per Capita Income</u>	<u>(5) Unemployment Rate</u>
1992	11,340	1,272	\$	8.5 %
1993	11,370	1,267		7.7
1994	11,370	1,220		8.1
1995	11,342	1,226		7.3
1996	11,342	1,229		5.2
1997	11,300	1,254		6.7
1998	11,422	1,220		4.4
1999	11,422	1,182		3.4
2000	11,524	1,079		2.3
2001	11,590	1,165		2.9

(1) Information regarding median age and education level of the population is not available.

(2) Statistics provided are estimates of the State of Connecticut Department of Health Services.

(3) Source: Town of Winchester, Connecticut, Board of Education.

(4) Data not available

(5) Per State of Connecticut Department of Labor.

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PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS

LAST TEN FISCAL YEARS

(Dollars in Thousands)

Fiscal Year	Construction(1)				Property Value(2)			Bank Deposits(3)	
	Commercial		Residential		Commercial	Residential(1)	Nontaxable	Number of Banks	Deposits
	Number of Units	Value	Number of Units	Value					
1992	1	\$ 907	11	\$ 745	\$ 38,341	\$ 183,479	\$ 38,522	\$	
1993	1	3,288	16	926	37,946	185,350	38,520		
1994	1	70	13	4,154	38,005	198,242	42,367		
1995	1	350	14	1,183	48,650	305,157	49,220		
1996	6	4,685	6	606	48,560	305,150	49,020		
1997	1	151	5	903	50,044	308,609	49,290		
1998	2	980	5	1,005	49,302	306,880	49,155		
1999	3	41	19	2,516	49,130	306,450	49,170		
2000	3	1,156	14	1,529	49,516	306,650	49,160		
2001	1	1,158	12	1,578	50,274	308,125	50,150		

(1) Source: Town of Winchester, Connecticut, Department of Building and Housing.

(2) Source: Town of Winchester, Connecticut, Department of Assessment.

(3) Information is not available.

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PRINCIPAL TAXPAYERS

JUNE 30, 2001

	Assessed Valuation as of October 1, 1999	Percentage of Gross Taxable Grand List	Nature of Business
1. Howmet Turbine	\$ 6,287,090	1.40 %	Manufacturing
2. Ledgebrook LLC Trustee	4,894,780	1.09	Shopping Center
3. Connecticut Light and Power	4,470,046	0.99	Power Company
4. Yankee Gas	2,659,258	0.59	Gas Company
5. Litchfield Gardens Association	2,197,530	0.49	Apartments
6. SKF USA, Inc.	2,150,027	0.48	Manufacturing
7. Homer D. Bronson Company	2,056,066	0.46	Manufacturing
8. Winsted Precision Ball	1,794,244	0.40	Manufacturing
9. Reynolds & Reynolds	1,345,081	0.30	Manufacturing
10. Litchfield Heights Apartments, LLC	1,343,240	0.30	Apartments
Total	\$ <u>29,197,362</u>	<u>6.50 %</u>	

Source: Town of Winchester, Connecticut, Department of Assessment.

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CAPITAL OUTLAY EXPENDITURES BY FUNCTION - NON-GAAP BUDGETARY BASIS

LAST TEN FISCAL YEARS

(In Thousands)

<u>Fiscal Year</u>	<u>Public Works</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Parks and Recreation</u>	<u>Miscellaneous</u>	<u>Total</u>
1992	\$ 494	\$ 14	\$ 114	\$ 2	\$ 16	\$ 640
1993	198		114	2	23	337
1994	205	143	67	1	8	424
1995	505	145	63			713
1996	255	93	36			384
1997	383	36	59		5	483
1998	487	55	68			610
1999	276	177	144			597
2000	163	341	209		282 *	995
2001	351	56	399		44	850

Source: Town of Winchester, Connecticut, Department of Finance.

* Includes Riverfront Recapture Project of \$256,163.

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SUPPLEMENTAL DATA

JUNE 30, 2001

Date of Incorporation: May 1771
 Form of Government: Selectmen-Town Manager
 First Charter Adopted: July 22, 1771
 Present Charter Adopted: November 5, 1985
 Area of Town: 34.0 square miles

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Miles of streets	81.27	<u>Municipal Cemeteries</u>	
Paved	72.51	Active	3
Unpaved	8.76	Inactive	3
State highways	23.5		
		<u>Education</u>	
<u>Recreation</u>		Senior high schools	1
Community Centers	1	Students	21
Neighborhood parks	2	Private senior high schools	1
Public greens	2	Students	485
Acres of park land	30	Special education	36
Playgrounds	3	Instruction	49
Tennis courts	2	Administrative and other	
Asphalt	2	nonteaching personnel	26
Lighted	2	Middle schools	1
Ball diamonds	7	Students	386
Lighted	2	Elementary schools	2
Basketball courts	2	Students	730
Lighted	1	Special education	28
Beaches	2	Instructional	104
Ponds	1	Administrative and other	
		nonteaching personnel	73
		<u>Police Protection</u>	
<u>Elections</u>		Police cars	10
Registered voters	6,869	Police officers	25
Votes cast in last:		Civilian employees	9
National election	4,690		
State election	3,368	<u>Fire Protection</u>	
Municipal election	2,588	Stations	4
Percentage of registered		Volunteer firemen	111
voters voting in last:		Full-time paid firemen	1
National election	68 %		
State election	49 %	<u>Town Employees (Full-Time)</u>	
Municipal election	38 %	Town	83
		School	178
<u>Library</u>			
Main building	1		
Employees	10		
Full-time	3		
Part-time	5		