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WINSTED, CONN.

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2005**

**TOWN OF WINCHESTER,
CONNECTICUT**



Office of the
Director of Finance

TOWN OF WINCHESTER, CONNECTICUT

Comprehensive Annual Financial Report

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2005**

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

TOWN OF WINCHESTER, CONNECTICUT
 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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TOWN OF WINCHESTER - CITY OF WINSTED

Town Hall - 338 Main Street
WINSTED, CONNECTICUT 06098

December 29, 2005

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

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to this requirement, we are pleased to issue the comprehensive annual financial report (CAFR) of the Town of Winchester for the fiscal year ended June 30, 2005.

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

The Town of Winchester's financial statements have been audited by Blum, Shapiro & Company, P.C. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Winchester for the fiscal year ended June 30, 2005 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Winchester's financial statements for the fiscal year ended June 30, 2005 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

The Town of Winchester, located in Litchfield County, is a political subdivision situated about 29 miles northwest of Hartford in the watersheds of the Farmington and Naugatuck Rivers. It is bordered on the north by the Town of Colebrook, on the south by the City of Torrington, on the east by the Town of Barkhamsted, and on the west by the Towns of Norfolk and Goshen. It covers a land area of approximately 33.8 square miles. The City of Winsted is located within the Town of Winchester but has no separate government. Winchester was first settled and incorporated as a Town in 1771. The Town sits at the crossroads of U.S. Route No. 44 and State Route No. 8. State Routes No. 20 and 183 also traverse the Town. There are 81.3 miles of Town roads, of which 72.5 miles are paved, and 23.4 miles of State roads.

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

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

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

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

Factors Affecting Financial Condition

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

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

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

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

Major Initiatives

Economic Development. There are a few remaining parcels of land in the Town's second industrial park. Looking into the future, the Economic Development Commission plans to locate and acquire real estate with the State of Connecticut's Department of Community and Economic Development's financial assistance for a new or expanded industrial park. In addition, the Commission is assessing the feasibility of updating and marketing certain properties along the downtown Main Street area. These development target areas may include developable land adjacent or contiguous to the current industrial park around or near Route 8 north as well as property along (old) Route 8 south towards the City of Torrington.

The Commission has recognized that it needs to aggressively market certain of the Town's most favorable attributes. To accomplish the goals of the Commission, all developmental grants and similar incentives will be aggressively pursued. This would

include but not be limited to new property development, facilities improvement grants and recreational funding.

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

Regional Outreach. In unison with the CEDS project, the Town is also a Board member on the recently formed Northwest CT Economic Development Corporation. The Corporation is a public/private development arm for the projects to be identified in the CEDS document.

Brownfields. During 1998, a new economic revitalization project was undertaken called the Brownfields Project. To date, the United States Environmental Protection Agency has awarded the Town \$550,000 in grant money to study and redevelop several potentially contaminated manufacturing sites located in the downtown and Highland Lake areas.

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

In the spring of 2001, the Town received a \$650,000 grant to establish a Brownfields Clean-Up Revolving Loan Fund (BCRLF) to assist developers in Brownfield redevelopment efforts. The BCRLF program became operational in November of 2001.

Main Street Enhancement Project. The Town of Winchester submitted a proposal in the summer of 1998 to improve 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 City 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 the economic viability of the downtown commercial core of the Town. The total estimated cost of this project is \$4,839,000. Phase I of the project will be closed-out upon final inspection in the winter of 2006.

In the spring of 2003, the Town submitted a TEA-21 grant request in the amount of \$4.5 million to complete the rest of our Main Street Enhancement Project. Phase II will continue the streetscape enhancements east and west of where the current Phase I project limits end. In October of 2005, the Town was notified by the Connecticut Department of

Transportation that approximately \$1.8 million will be awarded for Phase II of the project.

National Main Street. In May of 2001, the Town, in partnership with “Friends of Main Street,” was designated by the Connecticut Main Street Program a “CT Main Street” Town. This designation gives the Town four years of free consulting services for downtown revitalization efforts. This designation is a key component to the success of the Town’s revitalization efforts. The 501(c)(3) nonprofit group “Friends of Main Street” hired a full-time Executive Director during the spring of 2003 to oversee the organization’s Action Plan.

Still River Greenway. The Still River Greenway is a proposed five-mile long, ten-foot wide paved recreational trail running from the intersection of Willow and Rowley Streets in the Town of Winchester south along Torrington Road for 2.5 miles to Harris Road in the City of Torrington. The trail will be handicapped accessible and will be designed for walking, jogging, bicycling, in-line skating and cross-country skiing. Funding for this \$1,875,000 project will be provided by a Federal TEA-21 grant in the amount of \$1.5 million dollars. The grant will cover 80% of the project costs. The remaining 20% will come from the Town of Winchester, the City of Torrington and the Still River Greenway Committee. The State of Connecticut Department of Transportation is currently reviewing final design plans. The construction phase will begin in April of 2006.

Water Improvement Projects. During the summer of 2001, the Town of Winchester embarked on an aggressive, multi-phase project to replace many of the Town’s aging and functionally obsolete water mains.

To date, the Town has completed the first three phases of work at a cost of approximately \$4.5 million. These phases included replacement of 37,550 feet of water mains on 31 different streets in the Town. The Town funded this project entirely with grant funds from the Connecticut Department of Environmental Protection and the United States Department of Agriculture.

Phase IV of the project began in the summer of 2005 at a total estimated cost of \$1.9 million. This phase of the project estimates replacement of 12,000 feet of water mains on 10 different streets in the Town. Funding for this phase will come entirely from grant funds.

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

To date, the public safety projects and the Sewer Projects have begun to have actual capital improvements started. Engineers are still reviewing all other projects and it is anticipated that all projects will be started in the spring of 2006 and substantially completed by the fall of 2006.

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

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

Risk Management. The Town of Winchester is a member of the Connecticut Interlocal Risk Management Agency (CIRMA). CIRMA is a nonprofit, tax-exempt association of Connecticut municipalities and local public agencies. It was formed in 1980 by the Connecticut Conference of Municipalities (CCM) to establish and administer an interlocal risk management program pursuant to the Connecticut General Statutes.

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

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

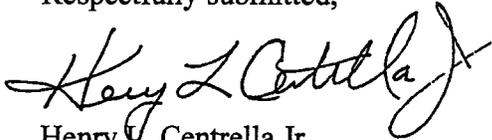
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004. This was the sixteenth year the Town has received this prestigious award. In order to be awarded a Certificate of Achievement, the Town published an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

The preparation of this report would 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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Winchester,
Connecticut

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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



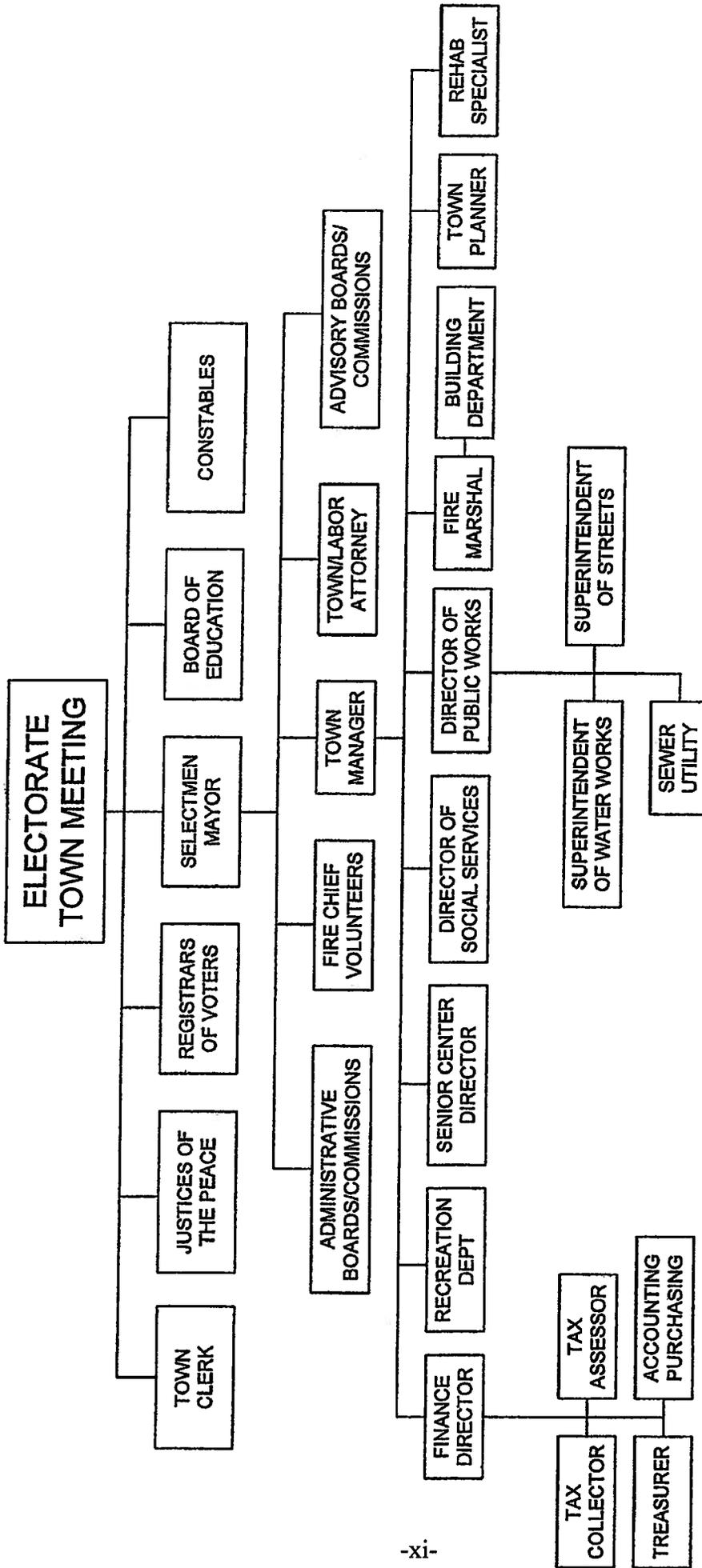
Nancy L. Zielle

President

Jeffrey R. Emer

Executive Director

ORGANIZATIONAL CHART



TOWN OF WINCHESTER, CONNECTICUT
LIST OF ELECTED AND APPOINTED OFFICIALS
AS OF JUNE 30, 2005

Mayor:	Maryann D. Welcome
Board of Selectmen:	Lynda F. Colavecchio David A. Cappabianca Barbara Wilkes Paul J. O'Meara Marie P. Keefe Althea C. Perez
Board of Tax Review:	Walter St. Onge, Jr. John Groppo Robert Warner Ralph Gustafsen Dennis Cappabianca Mark Arcelaschi
Director of Public Works:	Patrick E. Hague
Town Manager:	Steven V. Angelo
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:	Anne Jellison, PhD

FINANCIAL SECTION

BlumShapiro

Report of Independent Accountants

To the Board of Selectmen
Town of Winchester, Connecticut

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Winchester, Connecticut, as of and for the year ended June 30, 2005, which collectively comprise the Town of Winchester, Connecticut's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Winchester, Connecticut, as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2005 on our consideration of the Town of Winchester, Connecticut's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Blum, Shapiro & Company, P.C.

December 29, 2005

Management's Discussion and Analysis Introduction

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

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

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

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

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

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

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

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

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

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

✱ **Basic Financial Statements**

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

- They include a *statement of net assets* which presents information on all of the Town of Winchester's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The statement of activities is prepared using the economic resources measurement focus and the accrual basis of accounting. These statements report all assets, liabilities, revenues, expenses and gains and losses of the government. Both of the government-wide financial statements distinguish functions of Winchester that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include the Board of Education, programs and project expenses, public works, public safety, general government, welfare, health, parks and recreation, library, waste disposal and recycling, and interest on long-term debt. Our business-type activities include the Water and Sewer Commission. The government-wide financial statements include only the Town of Winchester itself (known as the *primary government*). There is no legally separate unit of government or governmental function (*component unit*) for which the Town is financially accountable. The Water and Sewer Commission, although legally separate, functions for all practical purposes as a department of the Town, and therefore has been included as an integral part of the primary government;
- Fiduciary activities whose resources are not available to finance our governmental programs are excluded from these statements;

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

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

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

- *Governmental fund* financial statements include financial data for the General Fund, special revenue funds, capital projects, debt service and permanent funds and are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements with similar information presented for *governmental activities* in the long-term impact of the government-wide financial statements. By doing so, our readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The Town of Winchester maintains 18 individual governmental funds. Three of these funds are considered major funds, and 15 are treated as nonmajor funds consisting of 10 special revenue funds and five permanent funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the Small Cities Fund, and the Sewer Assessment Fund, all of which are considered to be major funds. Data from the 15 nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. Winchester adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.
- *Proprietary fund* financial statements, including financial data for enterprise, are prepared using the economic resources measurement focus and the accrual basis of accounting. The Town of Winchester maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise

funds to account for the operations of its Water and Sewer Commission. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Commission.

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

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

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

Governmental fund balances are segregated into reserved and unreserved categories.

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

The statements distinguish between operating and nonoperating revenues and expenses in proprietary fund statements of revenues, expenses and changes in net fund assets. At the bottom of these statements, we reflect capital contributions, contributions to permanent and term endowments, special and extraordinary items, and transfers in arriving at the all-inclusive change in fund net assets.

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

➤ Notes to the Financial Statements

- Consist of notes that provide information essential to your understanding of the data provided in the government-wide and fund financial statements.

➤ Required Supplementary Information (RSI)

- Consists of MD&A and budgetary comparison schedules;
- Includes budgetary comparison schedules for the General Fund and each major special revenue fund to demonstrate whether resources were obtained and used in accordance with the legally adopted budget;
- Reports the Town of Winchester's progress in funding its obligation to provide pension benefits to its employees.

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

As management of the Town of Winchester, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iii-ix of this report.

Financial Highlights

- The assets of the Town of Winchester for both governmental and business-type activities exceeded liabilities at the close of the most recent year by \$56,609,701 (*net assets*). Of this amount, \$6,985,889 (*unrestricted net assets*) may be used to meet our ongoing obligations to citizens and creditors.
- The primary government's total net assets decreased by \$528,194.
- As of the close of the current fiscal year, Winchester's governmental funds reported combining ending fund balances of \$2,009,405, a decline of \$29,323 in comparison with the prior year. About 65% of this amount, \$1,307,715, is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$544,693, or 2.02% of total General Fund expenditures of \$26,962,992.
- The Town of Winchester's long-term liabilities decreased \$324,211 for governmental activities and \$935,558 for business-type (water and sewer) activities. Included in this category is the repayment of bonded debt for governmental activities of \$375,000 and a reduction of debt for water and sewer due of \$930,000 (see below and Note 3.F., Long-Term Debt, of the notes to financial statements).

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of our financial position. In the case of the Town of Winchester, assets exceeded liabilities by \$56,609,701 at the close of the most recent fiscal year.

By far the largest portion of our net assets (87.66%) reflects our investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. We use these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1. Net Assets

	2005			2004		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Current and Other Assets	\$10,238,729	\$ 1,775,465	\$12,014,194	\$10,742,932	\$ 1,706,453	\$12,449,385
Capital Assets (net).....	27,779,106	36,428,084	64,207,190	28,329,515	37,146,405	65,475,920
Total Assets.....	<u>38,017,835</u>	<u>38,203,549</u>	<u>76,221,384</u>	<u>39,072,447</u>	<u>38,852,858</u>	<u>77,925,305</u>
Long-Term Debt Outstanding ..	4,272,781	10,406,376	14,679,157	4,593,566	11,341,934	15,935,500
Other Liabilities	4,672,777	259,749	4,932,526	4,596,997	251,488	4,848,485
Total Liabilities	<u>8,945,558</u>	<u>10,666,125</u>	<u>19,611,683</u>	<u>9,190,563</u>	<u>11,593,422</u>	<u>20,783,985</u>
Net Assets:						
Invested in Capital						
Assets, net of debt.....	23,506,325	26,117,487	49,623,812	25,863,702	25,895,701	51,759,403
Unrestricted.....	<u>5,565,952</u>	<u>1,419,937</u>	<u>6,985,889</u>	<u>4,018,182</u>	<u>1,363,735</u>	<u>5,381,917</u>
Total Net Assets.....	<u>\$29,072,277</u>	<u>\$27,537,424</u>	<u>\$56,609,701</u>	<u>\$29,881,884</u>	<u>\$27,259,436</u>	<u>\$57,141,320</u>

The balance of *unrestricted net assets* not comprising capital assets, \$6,985,889, may be used to meet our ongoing obligations to citizens and creditors.

At the end of the current fiscal year, we are able to report positive balances in both categories of net assets, both for government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The Town's governmental net assets decreased by \$806,182 during the current fiscal year. We realized general revenues and transfers of \$19,367,992. Net operating expenditures of \$20,174,174 exceeded our revenues by the amount of the net assets decline. Gross governmental expenditures of \$30,035,889 were offset by a combination of \$17,629,149 in property taxes, grants in the amount of \$10,327,922, charges for services equaling \$564,181, investment earnings of \$74,540, and net miscellaneous income and transfers of \$633,915. Of the total gross expenditures, \$19,134,392 was accounted for by the Board of Education. Public safety expenditures of \$3,199,584, general government outlays of \$2,802,146, and public works operations in the amount of \$2,782,801 accounted for the largest of the expenditures in the governmental activities category.

The Town of Winchester reports a rise in net assets in connection with the business-type activities of the Water and Sewer Commission in the net amount of \$277,988. The water operation increased net assets by \$374,017 while the sewer operation decreased net assets by \$338,358 as a result of expenditures exceeding revenues. A transfer from the Town of \$233,825 brought overall operations for the year to a positive conclusion. Water and sewer users paid a combined \$2,915,863 in service charges, fines and penalties. Investment earnings of \$8,504 contributed to the overall increase in net assets.

The combination of governmental activities resulted in a decline in net assets of \$806,182. When offset by the enterprise funds' increase in net assets of \$277,988, overall government-wide net assets decreased by \$528,194.

Governmental Activities

Governmental activities decreased the Town of Winchester's net assets by \$528,194 as already stated. Key elements of this decrease are as follows:

Table 2. Changes in Net Assets

	2005			2004		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues:						
Program Revenues:						
Charges for services	\$ 564,181	\$2,915,863	\$3,480,044	\$ 391,083	\$2,913,704	\$ 3,304,787
Operating grants and contributions.....	8,563,656	--	8,563,656	8,407,231	158,067	8,565,298
Capital grants and contributions.....	733,878	233,064	966,942	640,055	--	640,055
General Revenues:						
Property taxes.....	17,629,149	--	17,629,149	16,914,799	--	16,914,799
Grants and contributions not restricted to specific purpose.....	1,030,388	--	1,030,388	814,095	--	814,095
Unrestricted investment earnings	74,540	8,504	83,044	65,183	7,772	72,955
Other general revenues (net)	867,740	--	867,740	1,324,515	--	1,324,515
Total revenues	29,463,532	3,157,431	32,620,963	28,556,961	3,079,543	31,636,504
Program Expenses:						
Board of Education.....	19,134,392	--	19,134,392	18,848,278	--	18,848,278
Program and project expenses.....	271,113	--	271,113	166,940	--	166,940
Public works.....	2,782,801	--	2,782,801	1,686,993	--	1,686,993
Public safety	3,199,584	--	3,199,584	2,986,420	--	2,986,420
Miscellaneous.....	577,364	--	577,364	324,488	--	324,488
General government	2,802,146	--	2,802,146	2,326,165	--	2,326,165
Health and welfare	227,496	--	227,496	221,386	--	221,386
Parks and recreation	248,603	--	248,603	283,647	--	283,647
Library.....	189,516	--	189,516	185,836	--	185,836
Waste disposal and recycling	375,260	--	375,260	450,476	--	450,476
Interest on long-term debt	227,614	--	227,614	244,728	--	244,728
Water	--	1,491,865	1,491,865	--	1,853,696	1,853,696
Sewer.....	--	1,621,403	1,621,403	--	1,724,658	1,724,658
Total program expenses	30,035,889	3,113,268	33,149,157	27,725,357	3,578,354	31,303,711
Excess (Deficiency) before special items and transfers.....	(572,357)	44,163	(528,194)	831,604	(498,811)	332,793
Transfers.....	(233,825)	233,825	--	(233,825)	233,825	--
Increase (Decrease) in Net Assets	(\$ 806,182)	\$ 277,988	(\$ 528,194)	\$597,779	(\$ 264,986)	\$ 332,793

Governmental Activities

Revenues

- Property tax collections increased by \$714,350 (4.22%) during the year. The budgeted tax levy increase between FY 2004 and FY 2005 was \$572,949.
- Charges for governmental activities services rose \$173,098 with the inclusion of Board of Education student and food services fees.

- Capital grants for the total primary government increased overall by \$326,887 with significant increases in the public works and waterworks accounts for work on the Phase IV water project.
- Unrestricted grants grew by \$216,293, with \$200,000 from the State of Connecticut to correct roadside railings along the Mad River, but this account was more than offset by a \$456,775 drop in miscellaneous income. In 2004, there were one-time revenues such as a \$165,000 tax penalty on the sale of forest land before the statutory retention period had expired, and much lower proceeds from the sale of land and equipment in 2005 than in 2004.

Expenditures

- Public works was \$1.096 million over FY 2004's \$1.687 million due to \$705 thousand spent on water system improvement projects (Phase IV) and expenditure of the \$200 thousand grant cited above for roadside railings.
- General government rose \$476 thousand mostly as a result of increased depreciation charges in the amount of \$336 thousand.

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

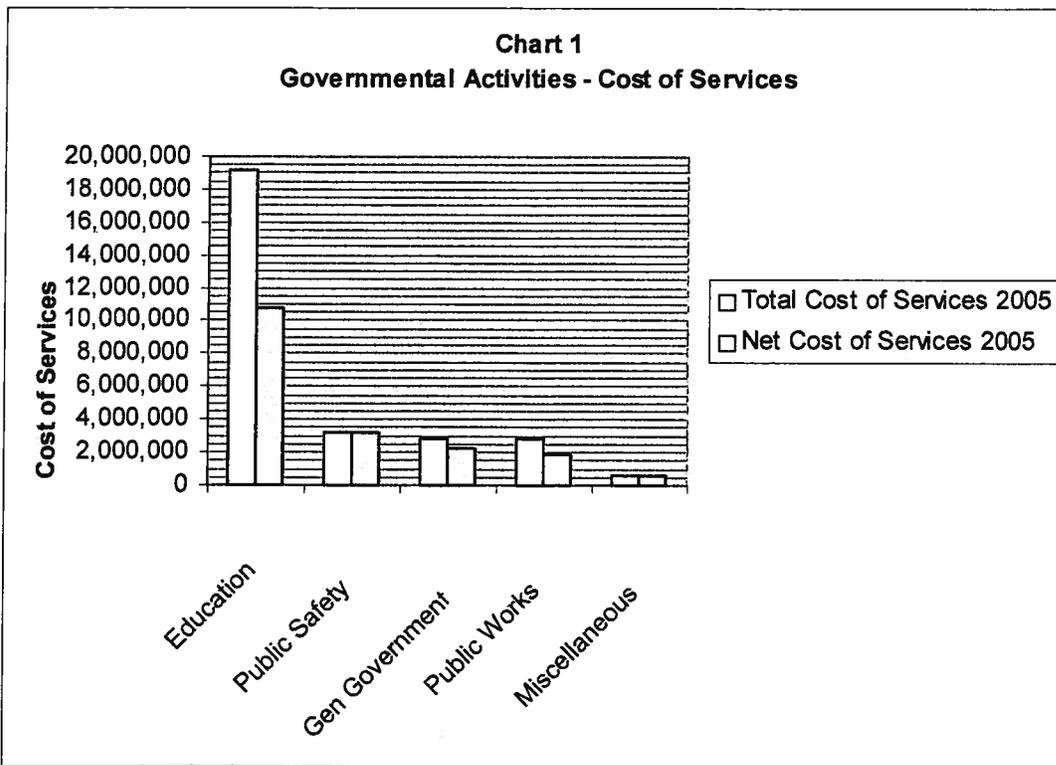
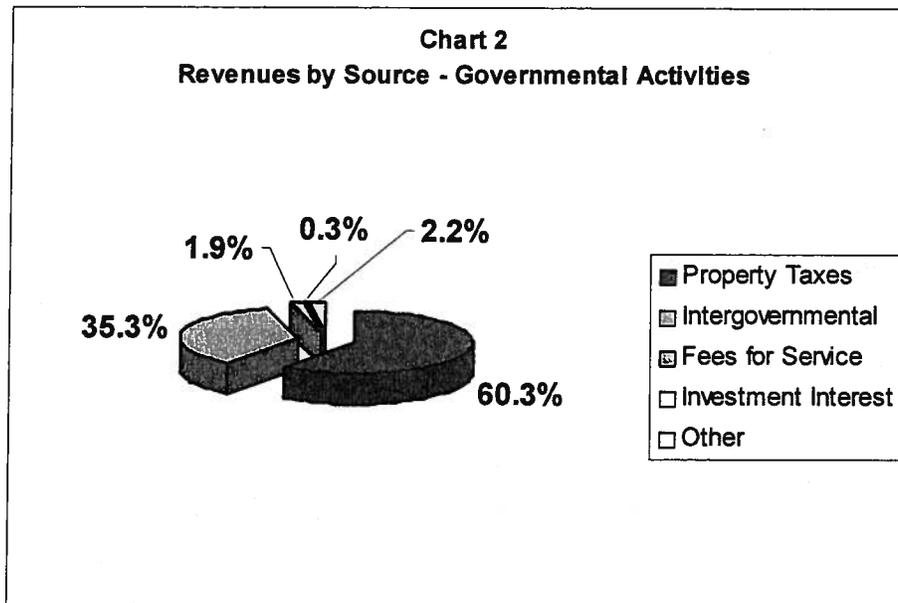


Chart 2 presents the various sources of revenue that fund our operations. The percentages indicate what part of the whole each segment represents.



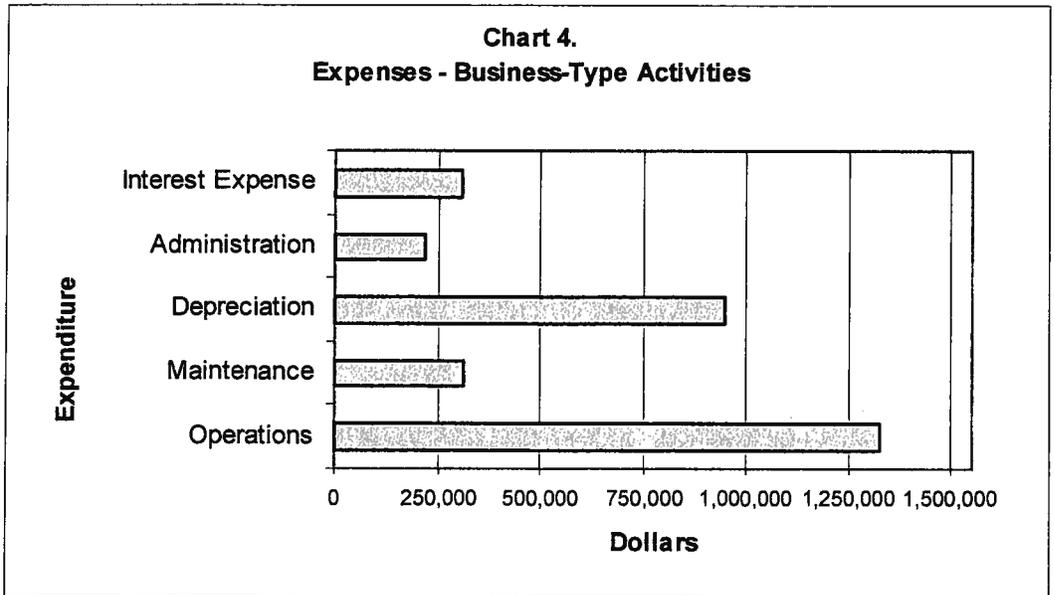
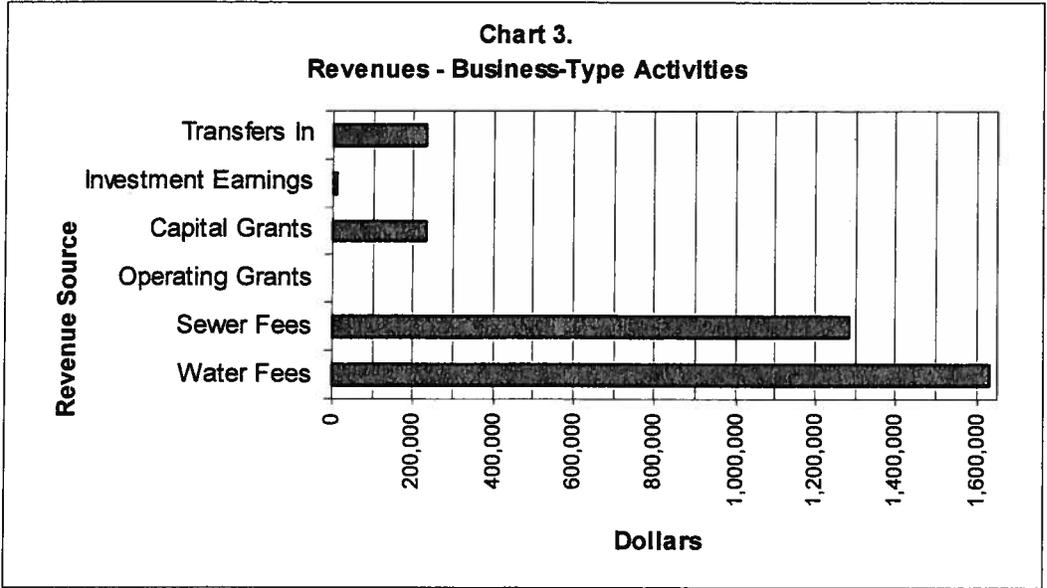
Business-Type Activities

Business-type activities added \$277,988 to our net assets, but this gain was offset by the \$806,182 drop in net assets generated by governmental activities. Key elements of our enterprise fund performance are as follows:

- Water and sewer charges for services, fines and penalties, grants and other revenue sources were consistent with last year's levels;
- Water operating expenses decreased \$361,831 due, in part, for the reasons noted below:
 - Interest expense declined by \$190 thousand as a result of earlier bond refundings;
 - \$36 thousand of repair and overtime expense for water main breaks did not re-occur in FY 2005;
 - \$28 thousand was spent last year to upgrade security systems protecting our water resources from terrorism;
 - We spent \$17 thousand in FY 2004 to remove brush and debris from around the reservoir;
 - In FY 2004, we expended \$13 thousand for an energy audit and \$11 thousand in engineering costs that we did not repeat in FY 2005.
- Sewer operating expenses fell off \$103,255 due again to one-time outlays in FY 2004. Specifically, we spent \$35.8 thousand for nitrogen removal equipment, \$27 thousand for new equipment we did not spend this year, and \$10 thousand for a feasibility study.

- Overall, water and sewer operations generated a modest increase in net assets totaling \$35,659. Broken down, water services generated a \$374,017 gain, but sewer activities produced a decline of \$338,358. Coupled with investment earnings of \$8,504 plus a \$233,825 General Fund transfer in to assist with debt service, the total net asset increase amounted to \$277,988 as previously indicated.

The following charts reflect our water and sewer utility operations for fiscal year 2005 regarding sources of revenue and classes of expenses.



Financial Analysis of the Government's Funds

As noted earlier, the Town of Winchester uses fund accounting to ensure and demonstrate that we are in compliance with finance-related legal requirements.

Governmental Funds

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,009,405, a decrease of \$29,323 in comparison with the prior fiscal year. About two-thirds of the total fund balance, \$1,307,715, constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period in the amount of \$157,551, 2) for use in the following year's operating budget - \$120,550, and 3) to fund certain permanent funds such as the Winchester School Trust (\$64,793), the Winchester Sinking Fund (\$83,859), the Forest View Cemetery (\$138,044), the Winchester Center Cemetery (\$38,322), and other lesser nonmajor governmental funds (\$98,571) for a total of \$423,589.

More detail may be found in the combining statements for the nonmajor governmental funds.

General Fund

The General Fund is the chief operating fund of the Town of Winchester. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$544,693, while total fund balance reached \$822,794. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 2.02% of total general fund expenditures of \$26,962,992, while total fund balance represents 3.05% of that same amount.

Winchester's General Fund balance increased by \$119,448 during the current fiscal year. Key factors affecting this increase are as follows:

- We enjoyed a favorable revenue budget variance of \$544 thousand driven by \$349 thousand more in intergovernmental grants not budgeted as noted below.
 - \$191 thousand federal grant for fire communications equipment;
 - \$72 thousand State of Connecticut grant for elderly and disabled;
 - \$51 thousand from FEMA (Federal Emergency Management Agency) for storm damage and related repairs and reconstruction.
 - \$41 thousand for manufacturer's PILOT payments from the state;
- The expenditure budget experienced a negative variance of \$516 thousand due to the significant factors detailed below:
 - Capital outlays were \$329,351 over budget due primarily to spending \$217 thousand on fire communications equipment and \$41 thousand on Town road engineering not previously considered;
 - Miscellaneous expenditures were \$140,331 more than expected because of higher than expected settlements on union contracts in the amount of \$119 thousand;
 - The general government budget grew by an additional \$109,311 through employment termination payments to seven Town employees in excess of \$100 thousand.

Small Cities Fund

The Town considers the Small Cities Fund to be a major fund, using it to track homeowner loans to and repayments by Winchester residents. Its fund balance of \$309,122 is entirely cash on deposit. During the year, this fund took in \$139,034 in loan repayments and expended \$130,733 in program and project expenditures. The excess of revenues over expenditures of \$8,301 translated directly to a fund balance increase of the same amount.

Sewer Assessment Fund

Also considered a major fund, the sewer assessment fund accepts and tracks assessments paid for sewer usage, hook-ups, and maintenance. Its primary function is to provide funding for debt service payments on the sewer commission's outstanding sewer bonds. For FY 2005, \$226,864 was taken in as other local revenues and \$106,110 was disbursed in interest payments. An additional \$233,825 was transferred out to further assist with sewer debt service. The net change in fund balance was a drop of \$113,071, taking fund balance from \$98,584 to a negative \$14,487.

Proprietary Funds

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

Unrestricted net assets of the Water and Sewer Commission at the end of the year amounted to \$1,419,937, an increase of \$277,988 from the previous year. Water operations generated net operating revenue of \$374,990. The sewer function experienced an operating deficit of \$330,827. A transfer in from the General Fund of \$233,825 for sewer debt service helped reduce the sewer shortfall. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

The original budget and the final budget were unchanged, with total expenditures planned for \$26,174,677 supported by revenues of \$26,301,112. No drawdown of General Fund balance was contemplated.

Capital Asset and Debt Administration

Capital Assets. The Town of Winchester's investment in capital assets for its governmental and proprietary fund assets includes land, buildings and systems improvements, machinery and equipment, park facilities, roads, highways, sewer systems, water systems and bridges. The total increase in our investment in capital assets for the current fiscal year was \$415,903 before depreciation.

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

- We purchased \$225,412 of new police communications equipment;
- We expended \$220,578 to improve our roads, sewer system and water lines.

Table 3. Capital Assets at Year-End

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Land	\$25,536,000	\$25,536,000	\$ 85,476	\$ 85,476	\$25,621,476	\$25,621,476
Buildings	3,613,640	3,613,640	42,372,184	42,372,184	45,985,824	45,985,824
Improvements	1,079,868	1,119,409	--	--	1,079,868	1,119,409
Infrastructure	--	--	487,871	487,871	487,871	487,871
Machinery and equipment	5,232,733	5,007,321	845,886	836,432	6,078,619	5,843,753
Construction in progress	--	--	5,322,996	5,102,418	5,322,996	5,102,418
Total	\$35,462,241	\$35,276,370	\$49,114,413	\$48,884,381	\$84,576,654	\$84,160,751

Additional information on the Town of Winchester's capital assets can be found in Note 3.C., Capital Assets, of the notes to financial statements.

Long-Term Debt. At the end of the current fiscal year, the Town of Winchester had \$11,585,000 of long-term bonded debt outstanding and no short-term debt. All outstanding bonded and long-term obligations comprise general obligation debt backed by the full faith and credit of the government. Water and sewer debt in the amount of \$10,155,000 is first paid from assessments, levies and fines, and other Water and Sewer Commission resources, which have been sufficient to fully pay principal of and interest on outstanding water and sewer obligations.

Table 4. Long-Term and Short-Term Debt

Bonds		Rate %	Original Issue	Debt Outstanding	Fiscal Year Maturity
Date	Purpose				
11/15/88	School	6.9-7.1	\$ 7,430,000	\$ 1,430,000	2009
4/15/90	General Purpose (Water) ¹	6.6-7	2,800,000	700,000	2010
11/1/98	General Purpose (Water) ¹	3.5-5.5	1,500,000	900,000	2014
8/15/02	Sewer ¹	2-5	6,290,000	4,890,000	2022
1/15/04	General Purpose (Water) ¹	2-4	3,900,000	3,665,000	2019
Total			<u>\$21,920,000</u>	<u>\$11,585,000</u>	

¹ Self-supporting

The Town of Winchester's total debt decreased by \$1,305,000 (10.12%) during the current fiscal year. The decrease came about through the payment of scheduled principal amortization on our outstanding bonds and loans and from a refunding of our USDA water loans.

The Town's credit rating from Moody's Investors Service, Inc., on its general obligation debt for the fiscal year ended June 30, 2005 was "A2".

State statutes limit the amount of general obligation debt a governmental entity may issue to seven times its tax collections plus interest and lien fees. For June 30, 2005, the maximum amount of borrowing permitted under the formula is \$130,083,548. By statute, water debt of \$5,265,000 and future school grant reimbursements for principal of \$934,143 are excluded from the debt limit calculation. With net borrowings of \$5,385,857, our outstanding general obligation debt is \$124,697,691 below the maximum debt limitation (see schedule of debt limitation in this report).

Additional information on our long-term debt can be found in Note 3.F. of this document.

Economic Factors and Next Year's Budget

- The unemployment rate for Winchester was 6.2% at June 30, 2005 which is an increase from a rate of 5.6% one year prior. The current rate is higher than the state's average unemployment rate of 5.4% and the national average rate of 5.2%.
- Inflationary trends in the region compare favorably to the national indices.

The FY 2005 - 06 budget of \$27,569,534 contemplates a \$1,262,422, or 4.82%, increase over the prior year's budget. We do not anticipate balancing the budget by using any General Fund surplus. Of the 2006 budget, roughly two-thirds of the net increase, or \$856 thousand, is attributable to the Board of Education. Areas of significant increase or decrease or discussed below:

Revenues

- ❖ \$1,234,665 from increased taxes;
- ❖ \$26,257 additional revenue budgeted in State of Connecticut and federal grants.

Expenditures

- ❖ \$855,508 net rise in Board of Education budget;
- ❖ \$264,312 increase for our roads and highways to restore needed funds for winter salt, sand, and over-time costs;
- ❖ \$111,021 increase in Building Department director reflecting consolidation with Fire Marshall's Office;
- ❖ \$86,080 elimination of Fire Marshall expense reflecting consolidation with Building Department;
- ❖ \$44,000 cut in legal fees;
- ❖ \$39,083 elimination of social services outlays;
- ❖ \$26,250 less for debt service as refunding savings come on line.

All of these factors were considered in preparing Winchester's budget for the 2006 fiscal year.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

TOWN OF WINCHESTER, CONNECTICUT

STATEMENT OF NET ASSETS

JUNE 30, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 3,241,973	\$ 973,191	\$ 4,215,164
Receivables, net of allowance:			
Property taxes	2,744,781		2,744,781
Other	1,897,378	396,693	2,294,071
Due from other governments	1,622,206	98,509	1,720,715
Internal balances	605,271	(605,271)	-
Other assets	127,120	912,343	1,039,463
Noncurrent assets:			
Capital assets, nondepreciable	25,536,000	5,408,472	30,944,472
Capital assets, net of accumulated depreciation	2,243,106	31,019,612	33,262,718
Total assets	<u>38,017,835</u>	<u>38,203,549</u>	<u>76,221,384</u>
Liabilities:			
Accounts payable and accrued items	1,930,958	259,749	2,190,707
Due to other governments	188,329		188,329
Interest payable	12,471		12,471
Unearned revenue	2,541,019		2,541,019
Noncurrent liabilities:			
Due within one year	926,804	970,000	1,896,804
Due in more than one year	3,345,977	9,436,376	12,782,353
Total liabilities	<u>8,945,558</u>	<u>10,666,125</u>	<u>19,611,683</u>
Net Assets:			
Invested in capital assets, net of related debt	23,506,325	26,117,487	49,623,812
Unrestricted	<u>5,565,952</u>	<u>1,419,937</u>	<u>6,985,889</u>
Total Net Assets	\$ <u>29,072,277</u>	\$ <u>27,537,424</u>	\$ <u>56,609,701</u>

The accompanying notes are an integral part of the financial statements

TOWN OF WINCHESTER, CONNECTICUT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

Function/Program Activities	Program Revenues			Net Revenue (Expense) and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Board of Education	\$ 19,134,392	\$ 231,521	\$ 8,172,305	\$ -	\$ (10,730,566)	\$ -	\$ (10,730,566)
Program and project expenses	271,113				(271,113)		(271,113)
Public works	2,782,801		146,902	704,500	(1,931,399)		(1,931,399)
Public safety	3,199,584		7,680		(3,191,904)		(3,191,904)
Miscellaneous	577,364				(577,364)		(577,364)
General government	2,802,146	311,660	236,769	25,578	(2,228,139)		(2,228,139)
Welfare	25,980				(25,980)		(25,980)
Health	201,516				(201,516)		(201,516)
Parks and recreation	248,603	21,000		3,800	(223,803)		(223,803)
Library	189,516				(189,516)		(189,516)
Waste disposal and recycling	375,260				(375,260)		(375,260)
Interest on long-term debt	227,614				(227,614)		(227,614)
Total governmental activities	30,035,889	564,181	8,563,656	733,878	(20,174,174)	-	(20,174,174)
Business-type activities:							
Waterworks	1,491,865	1,632,818		233,064		374,017	374,017
Sewer	1,621,403	1,283,045				(338,358)	(338,358)
Total business-type activities	3,113,268	2,915,863	-	233,064		35,659	35,659
Total	\$ 33,149,157	\$ 3,480,044	\$ 8,563,656	\$ 966,942	(20,174,174)	35,659	(20,138,515)
General revenues:							
Property taxes					17,629,149		17,629,149
Grants and contributions not restricted to specific programs					1,030,388		1,030,388
Unrestricted investment earnings					74,540	8,504	83,044
Miscellaneous					867,740		867,740
Transfers					(233,825)	233,825	-
Total general revenues and transfers					19,367,992	242,329	19,610,321
Change in net assets					(806,182)	277,988	(528,194)
Net Assets at Beginning of Year, as Restated					29,878,459	27,259,436	57,137,895
Net Assets at End of Year					\$ 29,072,277	\$ 27,537,424	\$ 56,609,701

The accompanying notes are an integral part of the financial statements

TOWN OF WINCHESTER, CONNECTICUT

BALANCE SHEET - GOVERNMENT FUNDS

JUNE 30, 2005

	<u>General</u>	<u>Small Cities</u>	<u>Sewer Assessment</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 1,623,945	\$ 314,677	\$	\$ 1,303,351	\$ 3,241,973
Property taxes receivable, net	778,476		1,790,180		2,568,656
Due from other governments	53,260			634,804	688,064
Other receivables	52,347	1,845,031			1,897,378
Due from other funds	747,305			58,081	805,386
Other assets	120,550			6,570	127,120
Total Assets	\$ 3,375,883	\$ 2,159,708	\$ 1,790,180	\$ 2,002,806	\$ 9,328,577
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable and accrued items	\$ 1,297,459	\$ 5,555	\$ 8,028	\$ 619,916	\$ 1,930,958
Due to other funds	80,178		7,957	111,980	200,115
Due to other governments				188,329	188,329
Deferred revenue	1,175,452	1,845,031	1,788,682	190,605	4,999,770
Total liabilities	2,553,089	1,850,586	1,804,667	1,110,830	7,319,172
Fund balances:					
Reserved:					
Encumbrances	157,551				157,551
Designated for subsequent year's operating budget	120,550				120,550
Purpose of trust				423,589	423,589
Unreserved:					
General fund	544,693				544,693
Special revenue funds		309,122	(14,487)	412,963	707,598
Permanent fund				55,424	55,424
Total fund balance	822,794	309,122	(14,487)	891,976	2,009,405
Total Liabilities and Fund Balance	\$ 3,375,883	\$ 2,159,708	\$ 1,790,180	\$ 2,002,806	\$ 9,328,577

The accompanying notes are an integral part of the financial statements

TOWN OF WINCHESTER, CONNECTICUT

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

JUNE 30, 2005

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

Fund balances - total governmental funds (page 19) \$ 2,009,405

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

Governmental capital assets	\$ 35,462,241	
Less accumulated depreciation	<u>(7,683,135)</u>	
		27,779,106

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

Property taxes receivable greater than 60 days	670,068
Sewer assessments receivable	1,788,682
Interest receivable on property taxes	176,125
Receivable from the state for school construction projects	934,143

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

Bonds payable	(1,430,000)
Pension obligation	(172,340)
Capital leases payable	(453,620)
Claims and judgments payable	(992,412)
Interest payable on bonds	(12,471)
Compensated absences	<u>(1,224,409)</u>

Net Assets of Governmental Activities (page 17) \$ 29,072,277

The accompanying notes are an integral part of the financial statements

TOWN OF WINCHESTER, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2005

	<u>General</u>	<u>Small Cities</u>	<u>Sewer Assessment</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes, interest and lien fees	\$ 17,927,617	\$	\$	\$	\$ 17,927,617
Intergovernmental revenues	8,420,115			2,138,176	10,558,291
Other local revenues	847,890	139,034	226,864	307,272	1,521,060
Total revenues	27,195,622	139,034	226,864	2,445,448	30,006,968
Expenditures:					
Current:					
Board of Education	17,371,286			1,472,419	18,843,705
Program and project expenses	140,380	130,733			271,113
Public safety	2,907,800				2,907,800
Public works	1,718,970				1,718,970
Miscellaneous	525,500				525,500
General government	2,190,104			471,827	2,661,931
Welfare	25,792				25,792
Health	201,516				201,516
Parks and recreation	204,951				204,951
Library	189,516				189,516
Waste disposal and recycling	375,260				375,260
Debt service:					
Principal retirement	375,000				375,000
Interest	114,280		106,110		220,390
Capital outlay	622,637			658,385	1,281,022
Total expenditures	26,962,992	130,733	106,110	2,602,631	29,802,466
Excess (Deficiency) of Revenues over Expenditures	232,630	8,301	120,754	(157,183)	204,502
Other Financing Sources (Uses):					
Transfers in from other funds	18,282			131,464	149,746
Transfers out to other funds	(131,464)		(233,825)	(18,282)	(383,571)
Net Change in Fund Balances	119,448	8,301	(113,071)	(44,001)	(29,323)
Fund Balances at Beginning of Year	703,346	300,821	98,584	935,977	2,038,728
Fund Balances at End of Year	\$ 822,794	\$ 309,122	\$ (14,487)	\$ 891,976	\$ 2,009,405

The accompanying notes are an integral part of the financial statements

TOWN OF WINCHESTER, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2005

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

Net change in fund balances - total governmental funds (page 21) \$ (29,323)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets 185,871
Less current year depreciation (736,280)

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

Property taxes collected after 60 days (91,648)
Sewer assessment revenue (136,485)
Interest income on property taxes (70,335)
Intergovernmental revenue on school bonds (244,969)

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

Principal payments 375,000
Capital lease payments 219,329
Accrued interest (7,224)

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

Pension obligation (35,532)
Claims and judgements (25,446)
Change in long-term compensated absences (209,140)

Change in Net Assets of Governmental Activities (page 18) \$ (806,182)

The accompanying notes are an integral part of the financial statements

TOWN OF WINCHESTER, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
Revenues:				
Property taxes, interest and lien fees	\$ 17,853,665	\$ 17,853,665	\$ 17,927,617	\$ 73,952
Intergovernmental revenues	7,720,895	7,720,895	8,069,894	348,999
Other local revenues	726,552	726,552	847,890	121,338
Total revenues	26,301,112	26,301,112	26,845,401	544,289
Expenditures:				
Current:				
Board of Education	17,110,150	17,110,150	17,104,719	5,431
Program and project expenses	141,773	141,773	140,379	1,394
Public safety	2,835,064	2,835,064	2,911,811	(76,747)
Public works	1,755,662	1,755,662	1,721,501	34,161
Miscellaneous	395,170	395,170	535,501	(140,331)
General government	2,053,059	2,053,059	2,162,370	(109,311)
Welfare	39,083	39,083	25,583	13,500
Health	197,850	197,850	201,516	(3,666)
Parks and recreation	208,944	208,944	210,479	(1,535)
Library	189,516	189,516	189,516	-
Waste disposal and recycling	465,840	465,840	375,260	90,580
Debt service	489,280	489,280	489,280	-
Capital outlay	293,286	293,286	622,637	(329,351)
Total expenditures	26,174,677	26,174,677	26,690,552	(515,875)
Excess of Revenues over Expenditures	126,435	126,435	154,849	28,414
Other Financing Sources (Uses):				
Operating transfers in	6,000	6,000	18,282	12,282
Operating transfers out	(132,435)	(132,435)	(131,464)	971
Net Change in Fund Balance	\$ -	\$ -	41,667	\$ 41,667
Fund Balance at Beginning of Year			623,575	
Fund Balance at End of Year			\$ 665,242	

The accompanying notes are an integral part of the financial statements

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

JUNE 30, 2005

	Waterworks	Sewer	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 105,150	\$ 868,041	\$ 973,191
Rents receivable, net	233,273	163,420	396,693
Prepaid items	960		960
Due from other governments	98,509		98,509
Due from other funds	22,097	261,381	283,478
Accrued utility revenue	392,074	248,638	640,712
Total current assets	852,063	1,541,480	2,393,543
Noncurrent assets:			
Capital assets, nondepreciable	5,380,552	27,920	5,408,472
Capital assets, net of accumulated depreciation	12,092,500	18,927,112	31,019,612
Unamortized bond costs, net	103,085	167,586	270,671
Total noncurrent assets	17,576,137	19,122,618	36,698,755
Total assets	18,428,200	20,664,098	39,092,298
Liabilities:			
Current liabilities:			
Accounts payable and accrued items	204,280	55,469	259,749
Due to other funds	253,424	635,325	888,749
Current portion of bonds and loans payable	530,000	440,000	970,000
Total current liabilities	987,704	1,130,794	2,118,498
Noncurrent liabilities:			
Compensated absences	51,023	44,756	95,779
Bonds payable after one year	4,787,612	4,552,985	9,340,597
Total noncurrent liabilities	4,838,635	4,597,741	9,436,376
Total liabilities	5,826,339	5,728,535	11,554,874
Net Assets:			
Invested in capital assets, net of related debt	12,155,440	13,962,047	26,117,487
Unrestricted	446,421	973,516	1,419,937
Total Net Assets	\$ 12,601,861	\$ 14,935,563	\$ 27,537,424

The accompanying notes are an integral part of the financial statements

TOWN OF WINCHESTER, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Waterworks</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 1,561,671	\$ 1,077,495	\$ 2,639,166
Fines, penalties and interest	49,803	33,685	83,488
Other	21,344	171,865	193,209
Total operating revenues	<u>1,632,818</u>	<u>1,283,045</u>	<u>2,915,863</u>
Operating Expenses:			
Operations	577,444	750,160	1,327,604
Maintenance	186,236	125,407	311,643
Depreciation expense	383,888	564,464	948,352
Administration	141,060	77,201	218,261
Total operating expenses	<u>1,288,628</u>	<u>1,517,232</u>	<u>2,805,860</u>
Operating Income (Loss)	<u>344,190</u>	<u>(234,187)</u>	<u>110,003</u>
Nonoperating Revenues (Expenses):			
Income on investments	973	7,531	8,504
Federal and state grants	233,064		233,064
Interest expense	(203,237)	(104,171)	(307,408)
Net nonoperating revenues (expenses)	<u>30,800</u>	<u>(96,640)</u>	<u>(65,840)</u>
Income (Loss) Before Transfers	374,990	(330,827)	44,163
Transfers In		<u>233,825</u>	<u>233,825</u>
Change in Net Assets	374,990	(97,002)	277,988
Net Assets at Beginning of Year	<u>12,226,871</u>	<u>15,032,565</u>	<u>27,259,436</u>
Net Assets at End of Year	<u>\$ 12,601,861</u>	<u>\$ 14,935,563</u>	<u>\$ 27,537,424</u>

The accompanying notes are an integral part of the financial statements

TOWN OF WINCHESTER, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Waterworks</u>	<u>Sewer</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 1,655,833	\$ 1,312,152	\$ 2,967,985
Receipts from state	(98,509)		(98,509)
Receipts from interfund services provided	(22,097)	(8,825)	(30,922)
Payments for interfund services used	868	51,312	52,180
Payments to employees	3,965	584	4,549
Payments to suppliers	(825,969)	(1,008,849)	(1,834,818)
Net cash provided by operating activities	714,091	346,374	1,060,465
Cash Flows from Noncapital Financing Activities:			
Transfers in from other funds		233,825	233,825
Net cash provided by noncapital financing activities	-	233,825	233,825
Cash Flows from Capital and Related Financing Activities:			
Grants received from state and federal governments	233,064		233,064
Principal payments on bonds payable	(475,000)	(455,000)	(930,000)
Interest paid on bonds payable	(199,355)	(100,371)	(299,726)
Additions to capital assets	(226,258)	(3,774)	(230,032)
Net cash used in capital and related financing activities	(667,549)	(559,145)	(1,226,694)
Cash Flows from Investing Activities:			
Interest on investments	973	7,531	8,504
Net cash provided by investing activities	973	7,531	8,504
Net Increase in Cash and Cash Equivalents	47,515	28,585	76,100
Cash and Cash Equivalents at Beginning of Year	57,635	839,456	897,091
Cash and Cash Equivalents at End of Year	\$ 105,150	\$ 868,041	\$ 973,191
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ 344,190	\$ (234,187)	\$ 110,003
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	383,888	564,464	948,352
Change in assets and liabilities:			
(Increase) decrease in rents receivable	50,248	49,481	99,729
(Increase) decrease in due from state	(98,509)		(98,509)
(Increase) decrease in accrued utility revenue	(27,233)	(20,374)	(47,607)
(Increase) decrease in prepaid items	8,176	6,253	14,429
(Increase) decrease in amounts due from other funds	(22,097)	(8,825)	(30,922)
Increase (decrease) in accounts payable and accrued expenses	70,595	(62,334)	8,261
Increase (decrease) in accrued vacation and sick leave benefits	3,965	584	4,549
Increase (decrease) in amounts due to other funds	868	51,312	52,180
Total adjustments	369,901	580,561	950,462
Net Cash Provided by Operating Activities	\$ 714,091	\$ 346,374	\$ 1,060,465
Noncash Capital and Related Financing Activities:			
Amortization of bond costs	\$ 7,930	\$ 9,858	\$ 17,788
Amortization of bond premiums	4,047	6,058	10,105

The accompanying notes are an integral part of the financial statements

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

JUNE 30, 2005

	Pension Trust Fund	Agency Funds
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ 1,861,164	\$ 59,575
Investments, at fair value:		
U.S. Government obligations	1,056,208	
Domestic corporate bonds	232,285	
Short-term investments	2,678,856	
Total investments	<u>3,967,349</u>	<u>-</u>
Total assets	<u>5,828,513</u>	<u>59,575</u>
Liabilities:		
Fiduciary deposits		59,575
Total liabilities	<u>-</u>	<u>59,575</u>
Net Assets:		
Held in Trust for Pension Benefits and Other Purposes	<u>\$ 5,828,513</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

TOWN OF WINCHESTER, CONNECTICUT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Pension Trust Fund</u>
Additions:	
Contributions:	
Employer	\$ 209,044
Plan members	122,047
Total contributions	<u>331,091</u>
Investment earnings:	
Net increase in fair value of investments	176,556
Interest and dividends	158,543
Net investment earnings	<u>335,099</u>
Total additions	<u>666,190</u>
Deductions:	
Benefits	268,519
Administrative expenses	27,624
Total deductions	<u>296,143</u>
Change in net assets	370,047
Net Assets at Beginning of Year	<u>5,458,466</u>
Net Assets at End of Year	<u>\$ 5,828,513</u>

The accompanying notes are an integral part of the financial statements

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

The Town reports the following major governmental funds:

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

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

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

The Town reports the following major proprietary funds:

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

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

Additionally, the Town reports the following fund types:

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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

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

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

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

C. Cash Equivalents

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

D. Investments

Investments are stated at fair value.

E. Inventories

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

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

F. Receivables and Payables

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

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

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

G. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Town intends to recognize infrastructure assets in its financial statements in fiscal year 2007 as permitted by GAAP.

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

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

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

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

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

H. Long-Term Obligations

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

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

I. Compensated Absences

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

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

J. Equity

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

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

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

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

K. Property Taxes

The Town's property tax is levied each July 1 on the assessed value as of the prior October 1 for all real property, motor vehicles and commercial personal property located in the Town. Assessed values are established by the Town Assessment Board at 70% of estimated market value. A revaluation of all real property is required to be completed every four years. The Town revalued its property as of October 1, 1994. The Town's property tax is levied each June on the assessed value listed on the prior October 1 Grand List for all taxable property located in the Town. A mill rate was applied to the Grand List. Liens are placed on delinquent accounts in June following the levy date.

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

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

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

L. Accounting Estimates

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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. There were no appropriations for the year ended June 30, 2005.

The accompanying combined statement of revenues, expenditures and changes in fund balances - budget and actual - General Fund - non-GAAP budgetary basis presents comparisons of the legally adopted budget with actual data on a budgetary basis. Since the accounting for encumbrances for purposes of developing data on a budgetary basis differs from that used to present financial statements in conformity with GAAP, a reconciliation of the resultant differences in excess of revenues and other sources over expenditures and other uses for the year ended June 30, 2005 is presented below:

	<u>General Fund</u>
Excess of revenues and other sources over expenditures and other uses for budgeted funds - budgetary basis	\$ 41,667
Timing difference: Change in reserve for encumbrances	<u>77,781</u>
Net Change in Fund Balance – GAAP Basis	<u>\$ 119,448</u>

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2005, expenditures exceeded appropriations in the General Fund at the following departmental levels:

Town Clerk	\$ 5,464
Accounting Department	3,168
Election expenditures	5,953
Insurance	21,579
Town Counsel	8,860
Town Manager	4,901
Assessor	993
Purchasing/Data Processing	3,055
Vacation and sick pay accrual	89,836
Conservation Commission	11,917
Unemployment Compensation	2,600
Cemeteries	1,249
Miscellaneous	140,331
Police Department	63,264
Ambulance	31,803
Paramedic	3,666
Park and Recreation Department	1,535
Board of Education	44,578
Capital outlay	279,342

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

C. Deficit Fund Equity

The Sewer Assessment Fund, Dog Fund and Brownfields Pilot Program had deficit fund balances of \$14,487, \$32,430 and \$13,405, respectively. These amounts will be funded through contributions and future revenues.

3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$2,379,157 of the Town's bank balance of \$2,564,910 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 2,131,241
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>247,916</u>
Total Amount Subject to Custodial Credit Risk	\$ <u>2,379,157</u>

Investments

As of June 30, 2005, the Town had the following investments:

Investment Type	Credit Rating	Fair Value	Investment Maturities (Years)		
			Less Than 1	1 - 10	More Than 10
U.S. Treasury bonds	Aaa	\$ 192,077		\$ 192,077	
U.S. Treasury notes	Aaa	754,037	214,342	539,695	
U.S. Agency guaranteed	Aaa	110,094		110,094	
Domestic corporate bonds - Banc One Corporation	A	50,044	50,044		
Domestic corporate bonds - Pepsico Inc.	A+	78,012		78,012	
Domestic corporate bonds - Procter & Gamble Co.	AA-	104,229		104,229	
Mutual funds	n/a				
Money market funds	n/a	6,379,791	6,379,791		
Reich & Tang	AAAm	<u>179,084</u>	<u>179,084</u>		
Total Investments		\$ <u>7,847,368</u>	\$ <u>6,823,261</u>	\$ <u>832,030</u>	\$ <u>192,077</u>

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

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

Concentration of Credit Risk - The Town places no limit on the amount invested in any one issuer. 5% of the Town's investments were invested in U.S. Treasury Notes for \$754,037.

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

B. Receivables

Receivables of taxes at year end for the General Fund were \$817,476, including the applicable allowance for uncollectible accounts of \$39,000. Rents receivable in the Waterworks Enterprise Fund is reported net of an allowance of \$8,671 for uncollectible accounts.

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

	Unavailable	Unearned
General Fund:		
Delinquent property taxes receivable	\$ 670,068	\$
Prepaid taxes		460,403
Donations		44,981
Small Cities:		
Grant		1,845,031
Sewer Assessment:		
Delinquent assessment taxes receivable	1,788,682	
Other Governmental Funds		
Education grants		12,182
Other grants		178,423
Total Deferred/Unearned Revenue for Governmental Funds	\$ 2,458,750	\$ 2,541,020

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

C. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 25,536,000	\$ _____	\$ _____	\$ 25,536,000
Capital assets being depreciated:				
Buildings	3,613,640			3,613,640
Improvements	1,119,409		39,541	1,079,868
Machinery and equipment	5,007,321	225,412		5,232,733
Total capital assets being depreciated	9,740,370	225,412	39,541	9,926,241
Less accumulated depreciation for:				
Buildings	2,719,737			2,719,737
Improvements	544,205	406,154		950,359
Machinery and equipment	3,682,913	330,126		4,013,039
Total accumulated depreciation	6,946,855	736,280	-	7,683,135
Total capital assets being depreciated, net	2,793,515	(510,868)	39,541	2,243,106
Governmental Activities Capital Assets, Net	\$ 28,329,515	\$ (510,868)	\$ 39,541	\$ 27,779,106
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 85,476	\$ _____	\$ _____	\$ 85,476
Construction in progress	5,102,418	220,578		5,322,996
Total capital assets not being depreciated	5,187,894	220,578	-	5,408,472
Capital assets being depreciated:				
Buildings and improvements	42,372,184			42,372,184
Machinery and equipment	836,432	9,454		845,886
Infrastructure	487,871			487,871
Total capital assets being depreciated	43,696,487	9,454	-	43,705,941
Less accumulated depreciation for:				
Buildings and improvements	11,309,980	869,302		12,179,282
Machinery and equipment	304,324	68,974		373,298
Infrastructure	123,673	10,076		133,749
Total accumulated depreciation	11,737,977	948,352	-	12,686,329
Total capital assets being depreciated, net	31,958,510	(938,898)	-	31,019,612
Business-Type Activities Capital Assets, Net	\$ 37,146,404	\$ (718,320)	\$ -	\$ 36,428,084

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Governmental activities:	
General government	\$ 335,465
Public safety	189,147
Public works	112,032
Education	14,854
Miscellaneous	50,731
Parks and recreation	<u>34,051</u>
 Total Depreciation Expense - Governmental Activities	 \$ <u><u>736,280</u></u>
Business-type activities:	
Water	383,888
Sewer	<u>564,464</u>
 Total Depreciation Expense - Business-Type Activities	 \$ <u><u>948,352</u></u>

Construction Commitments

The Town has active construction projects as of June 30, 2005. The projects include water and drainage projects and the enhancement of Main Street. At year-end, the Town's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Water Pipe Replacement - Project 4	\$ 672,583	\$ 1,028,685
Main Street Enhancement	<u>885,666</u>	<u>17,106</u>
 Total	 \$ <u><u>1,558,249</u></u>	 \$ <u><u>1,045,791</u></u>

The commitments are being financed with general obligation bonds and State and Federal grants.

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

D. Interfund Receivables, Payables and Transfers

Interfund receivables and payables are a result of temporary loans and/or advances to various funds. The composition of interfund balances as of June 30, 2005, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Sewer Fund	\$ 635,325
	Nonmajor Governmental Funds	111,980
		<u>747,305</u>
Waterworks Fund	General Fund	<u>22,097</u>
Nonmajor Governmental Funds	General Fund	<u>58,081</u>
Sewer Fund	Sewer Assessment Fund	7,957
	Waterworks Fund	253,424
		<u>261,381</u>
Total		<u>\$ 1,088,864</u>

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

	<u>Transfers In</u>			
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Sewer Assessment Fund</u>	<u>Total Transfers In</u>
Transfers out:				
General Fund	\$	\$ 18,282	\$	\$ 18,282
Sewer Fund			233,825	233,825
Other Governmental Funds	<u>131,464</u>			<u>131,464</u>
Total Transfers Out	<u>\$ 131,464</u>	<u>\$ 18,282</u>	<u>\$ 233,825</u>	<u>\$ 383,571</u>

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

E. Leases

Capital Leases

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

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Equipment	\$ 901,006
Less accumulated depreciation	<u>159,370</u>
Total	<u>\$ 741,636</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2005 were as follows:

	<u>Governmental Activities</u>
Year ending June 30:	
2006	\$ 170,935
2007	170,536
2008	101,072
2009	<u>43,319</u>
Total minimum lease payments	485,862
Less amount representing interest	<u>32,242</u>
Present Value of Minimum Lease Payments	<u>\$ 453,620</u>

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

F. Long-Term Debt

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

	<u>Beginning Balance, Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General obligation bonds	\$ 1,805,000	\$	\$ 375,000	\$ 1,430,000	\$ 375,000
Capital leases	672,949		219,329	453,620	154,795
Compensated absences	1,015,269	517,326	308,186	1,224,409	304,710
Claims and judgments	966,966	25,446		992,412	92,299
Pension obligation	<u>136,808</u>	<u>35,532</u>		<u>172,340</u>	
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 4,596,992</u>	<u>\$ 578,304</u>	<u>\$ 902,515</u>	<u>\$ 4,272,781</u>	<u>\$ 926,804</u>
Business-Type Activities:					
Bonds payable:					
General obligation bonds	\$ 11,085,000	\$	\$ 930,000	\$ 10,155,000	\$ 970,000
Plus deferred amounts:					
Issuance premiums on refunding	<u>165,704</u>		<u>10,107</u>	<u>155,597</u>	
Total bonds payable	11,250,704		940,107	10,310,597	970,000
Compensated absences	<u>91,230</u>	<u>43,474</u>	<u>38,925</u>	<u>95,779</u>	
Total Business-Type Activities					
Long-Term Liabilities	<u>\$ 11,341,934</u>	<u>\$ 43,474</u>	<u>\$ 979,032</u>	<u>\$ 10,406,376</u>	<u>\$ 970,000</u>

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

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

General Obligation Bonds

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

General obligation bonds are direct obligations of the Town for which full faith and credit are pledged and are payable from taxes levied on all taxable properties located within the Town. School building grants of \$934,143 will be used to repay respective debt; however, the Town is liable for all outstanding bonds. General obligation bonds currently outstanding are as follows:

	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Annual Principal</u>	<u>Principal Outstanding June 30, 2005</u>
<u>General Purposes:</u>						
Public improve- ments:						
School renovations	11/15/88	\$ 7,430,000	6.9-7.1%	11/15/08	\$ 375,000 - 330,000	\$ 1,430,000
<u>Water and Sewer:</u>						
General refunding	8/15/02	6,290,000	2%-5%	6/1/22	490,000 - 150,000	4,890,000
Water revenue	4/15/90	2,800,000	6.6-7%	4/16/10	140,000	700,000
General refunding	1/15/04	3,900,000	2%-4%	8/1/18	290,000 - 235,000	3,665,000
Water mains	11/1/98	1,500,000	3.5-5.5%	11/1/13	100,000	900,000
						<u>10,155,000</u>
						<u>\$ 11,585,000</u>

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

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 375,000	\$ 88,030	\$ 970,000	\$ 378,402
2007	375,000	61,593	950,000	346,281
2008	350,000	35,855	955,000	306,156
2009	330,000	11,715	935,000	272,106
2010			935,000	231,994
2011-2015			3,315,000	737,231
2016-2020			1,790,000	255,444
2021-2025			305,000	21,419
Total	\$ 1,430,000	\$ 197,193	\$ 10,155,000	\$ 2,549,033

Authorized But Unissued Bonds

The Town has the following authorized but unissued bonds at June 30, 2005, which were authorized on November 17, 2005:

Project	Total Authorized	Amount Issued
Town Facilities Improvements	\$ 1,970,085	\$ -
Public Safety	810,920	793,238
Road Work, Drainage and Sidewalks	2,353,325	2,228,117
Education	1,093,445	1,085,791
Sewer	1,362,750	407,854
Total	\$ 7,590,525	\$ 4,515,000

4. EMPLOYEE RETIREMENT PLAN

A. Pension Trust Fund

The Town of Winchester is the administrator of a single-employer public employee retirement system (PERS) established and administered by the Town to provide pension benefits for its municipal employees. The PERS is considered to be part of the Town of

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Winchester's financial reporting entity and is included in the Town's financial reports as a Pension Trust Fund. The plan does not issue a stand-alone financial report.

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

Employees are 100% vested after five years of continuous service if their contributions remain in the fund upon termination. Employees who retire at normal retirement (the later of age 65 or 5 years of service for the Board of Education, 75 for others) receive a retirement benefit for life of 2% times years of credited service (maximum of 25 for the Board of Education, 35 for others) of the highest average three consecutive years of compensation out of the last ten prior to retirement. No cost of living adjustments are included. 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.

Plan membership consisted of the following at January 1, 2004, the date of the latest actuarial valuation:

Retirees, disabled and beneficiaries currently receiving benefits	22
Terminated employees entitled to benefits but not yet receiving them	5
Current plan members	<u>67</u>
 Total	 <u>94</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.

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Contributions

Plan participants are required to contribute to the Plan 5% (2.5% for the Board of Education) of their earnings up to the Social Security base and 5% of earnings over the Social Security base. The Town is required by its Charter to contribute the remaining amounts necessary to fund the Plan. For the year ended June 30, 2005, the Town's required contribution was \$276,655, which represents 22.3% of covered payroll.

Administrative costs of the Plan are financed through investment earnings.

Concentrations

Those investments in any organization that represent 5% or more of net assets available for benefits at June 30, 2005 are as follows:

Bank of America:

Fidelity Institutional Fund #59	\$ 722,898
Columbia Disciplined Value Fund Class Z	1,173,591
Columbia Interim Government Income Fund Class Z	504,711
Columbia Short Term Bond Fund Class Z	540,875
Columbia Large Capital Growth Fund Class Z	1,075,680

Annual Pension Cost and Net Pension Obligations

The Town's annual pension cost and net pension obligation to the Town of Winchester Employees' Retirement Fund for the year ended June 30, 2005 were as follows:

Annual required contribution (ARC)	\$ 276,655
Interest on net pension obligation	10,945
Adjustment to annual required contribution	<u>(11,252)</u>
Annual pension cost	276,348
Contributions made**	<u>240,816</u>
Increase in net pension obligation	35,532
Net pension obligation, beginning of year, as restated	<u>136,808</u>
Net Pension Obligation, End of Year	<u><u>\$ 172,340</u></u>

** Contribution will be made prior to June 30, 2006.

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The annual required contribution for the current year was determined as part of the January 1, 2004 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) an 8% investment rate of return and (b) 4% projected salary increases. Both (a) and (b) included an inflation component of 3.5%. The assumptions did not include cost of living increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The 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, 2004 is 30 years, open method, on a level dollar basis.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/03	\$ 217,710	\$ 101,675	46.7	\$ 116,035
6/30/04	229,817	209,044	91.0	136,808
6/30/05	276,348	240,816**	87.1	172,340

** Contribution will be made prior to June 30, 2006.

B. Teachers

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

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

The State's contribution to the plan on behalf of the Town for the fiscal year ended June 30, 2005 was \$350,221 and is recognized in the governmental funds GAAP-basis income statement. For the year ended June 30, 2005, teachers of the Town contributed \$417,616 to the plan, and covered payroll for the year was \$5,760,221.

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

C. Municipal Employees' Retirement System

Plan Description

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

Contributions Required and Contributions Made

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

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

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
6/30/03	\$ 128,679	100%
6/30/04	130,621	100%
6/30/05	156,626	100%

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties, except for worker's compensation, which is handled through an interlocal risk pool. Settled claims for these risks did not exceed commercial insurance coverage during the years ended June 30, 2003, 2004 and 2005.

Interlocal Risk Pool

The Town is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), an unincorporated association of Connecticut local public agencies which was formed in 1980 by the Connecticut Conference of Municipalities for the purpose of establishing and administering an interlocal risk management program pursuant to the provisions of Section 7-479a et. seq. of the Connecticut General Statutes. The Workers' Compensation Pool provides statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. CIRMA currently has 220 members in the Workers' Compensation Pool. The coverage is subject to an incurred loss retrospective rating plan, and losses incurred in coverage period 2004-05 will be evaluated at 18, 30 and 42 months after the effective date of coverage. The deposit contribution (premium) paid in 2004-05 by the Town was \$189,542. The contribution (premium) is subject to payroll audit at the close of the coverage period. CIRMA's Workers' Compensation Pool retains up to \$750,000 per occurrence. Claims over \$750,000 are reinsured.

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

B. Contingent Liabilities

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

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

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

TOWN OF WINCHESTER, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

C. Prior Period Adjustment

Statement of Net Assets

The net pension obligation was understated because the actual amount contributed was less than the expected contribution amount. This resulted in a decrease to beginning net assets of \$3,426 in the statement of activities.

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF WINCHESTER, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION - PENSION TRUST FUND

Schedule of Funding Progress

<u>Plan Year</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
1/1/1999	\$ 4,053,007	\$ 3,926,577	\$ (126,430)	103.2%	\$ 2,118,074	(6.0)%
1/1/2000	4,418,779	4,196,794	(221,985)	105.3%	2,297,628	(9.7)%
1/1/2001	4,993,180	4,626,646	(366,534)	107.9%	2,483,046	(14.8)%
1/1/2002	5,268,213	5,111,874	(156,339)	103.1%	2,612,300	(6.0)%
1/1/2003	5,685,997	5,899,577	213,580	96.4%	2,688,828	7.90%
1/1/2004	6,024,005	6,632,855	608,850	90.8%	2,726,705	22.20%

Schedule of Employer Contributions

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
6/30/2000	\$ 95,805	100%
6/30/2001	188,481	100%
6/30/2002	204,443	100%
6/30/2003	217,710	47%
6/30/2004	230,078	91%
6/30/2005	276,655	87%

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

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GENERAL FUND

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

TOWN OF WINCHESTER, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property taxes, interest and lien fees	\$ 17,853,665	\$ 17,853,665	\$ 17,927,617	\$ 73,952
Intergovernmental revenues:				
US Government - Fire Communication Grant			191,036	191,036
State of Connecticut - General Government	895,496	895,496	1,028,416	132,920
State of Connecticut - Board of Education	6,825,399	6,825,399	6,850,442	25,043
	7,720,895	7,720,895	8,069,894	348,999
Other local revenues:				
Licenses, fees and permits:				
Cemeteries	37,000	37,000	44,730	7,730
Town Clerk	180,000	180,000	224,325	44,325
Charges for services:				
In lieu of taxes - Housing Authority	25,000	25,000	27,680	2,680
Building Department	178,500	178,500	251,051	72,551
Planning and Zoning	5,000	5,000	8,059	3,059
Inland Wetlands Commission	6,000	6,000	3,634	(2,366)
Zoning Board of Appeals	2,500	2,500	4,186	1,686
Police Department	29,000	29,000	33,365	4,365
Payroll grant reimbursements	6,000	6,000		(6,000)
Sale of land and equipment	15,000	15,000	13,582	(1,418)
Senior citizens	6,450	6,450	7,567	1,117
Social services	1,000	1,000		(1,000)
Park and Recreation Department	21,300	21,300	21,000	(300)
Tree harvest	50,000	50,000	80,700	30,700
Probate Court	550	550	1,127	577
Interest and dividends	110,000	110,000	74,540	(35,460)
Other	53,252	53,252	52,344	(908)
	726,552	726,552	847,890	121,338
 Total revenues	 26,301,112	 26,301,112	 26,845,401	 544,289

(Continued on following page)

TOWN OF WINCHESTER, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget - Positive (Negative)</u>
Expenditures:				
General government:				
Board of Selectmen	\$ 33,967	\$ 33,967	\$ 24,817	\$ 9,150
Town Clerk	146,260	146,260	151,724	(5,464)
Treasurer	5,921	5,921	5,921	-
Accounting Department	142,635	142,635	145,803	(3,168)
Election expenditures	58,867	58,867	64,820	(5,953)
Insurance	230,220	230,220	251,799	(21,579)
Town Counsel	115,000	115,000	123,860	(8,860)
Town Manager	176,882	176,882	181,783	(4,901)
Building Department	190,662	190,662	171,590	19,072
Assessor	132,231	132,231	133,224	(993)
Board of Tax Review	3,627	3,627	3,169	458
Tax Collector	70,320	70,320	66,344	3,976
Planning and Zoning	3,465	3,465	1,530	1,935
Building	128,876	128,876	127,390	1,486
Inland Wetland Commission	2,275	2,275	775	1,500
Zoning Board of Appeals	1,422	1,422	961	461
Laurel City Commission	5,000	5,000	5,000	-
Advisory Comm for the Disabled	1,036	1,036		1,036
Litchfield Conservation District	1,582	1,582	1,582	-
Purchasing/Data Processing	139,644	139,644	142,699	(3,055)
Probate Court	4,140	4,140	3,609	531
Senior citizens	137,571	137,571	134,680	2,891
Rural Transit District	1,770	1,770	1,770	-
Vacation and sick pay accrual	10,000	10,000	99,836	(89,836)
Economic Development Commission	10,252	10,252	8,267	1,985
School crossing guards	47,896	47,896	47,896	-
Judgments and losses	1,000	1,000		1,000
Conservation Commission	10,293	10,293	22,210	(11,917)
Unemployment compensation	1,000	1,000	3,600	(2,600)
Cemeteries	58,452	58,452	59,701	(1,249)
Soldiers Monument Commission	5,869	5,869	3,756	2,113
Planning and Community Development	164,199	164,199	162,209	1,990
Redevelopment Agency	432	432	431	1
Civil Service Commission	10,293	10,293	9,614	679
	<u>2,053,059</u>	<u>2,053,059</u>	<u>2,162,370</u>	<u>(109,311)</u>

(Continued on following page)

TOWN OF WINCHESTER, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Expenditures:				
Library	\$ 189,516	\$ 189,516	\$ 189,516	\$ -
Miscellaneous	395,170	395,170	535,501	(140,331)
Recycling	465,840	465,840	375,260	90,580
Public safety:				
Police Department	2,290,162	2,290,162	2,353,426	(63,264)
Fire Department	313,170	313,170	303,234	9,936
Fire Marshal	86,080	86,080	85,765	315
Civil Preparedness	8,285	8,285	7,576	709
Winchester Fire Department	44,000	44,000	36,640	7,360
Ambulance	93,367	93,367	125,170	(31,803)
	<u>2,835,064</u>	<u>2,835,064</u>	<u>2,911,811</u>	<u>(76,747)</u>
Public works:				
Public Works Department	1,629,362	1,629,362	1,599,871	29,491
Streetlighting	126,300	126,300	121,630	4,670
	<u>1,755,662</u>	<u>1,755,662</u>	<u>1,721,501</u>	<u>34,161</u>
Welfare:				
Social Services	39,083	39,083	25,583	13,500
Health:				
Department of Health	41,407	41,407	41,407	-
Youth and Family Services	86,443	86,443	86,443	-
Paramedic	70,000	70,000	73,666	(3,666)
	<u>197,850</u>	<u>197,850</u>	<u>201,516</u>	<u>(3,666)</u>
Culture and recreation:				
Park and Recreation Department	208,944	208,944	210,479	(1,535)
Education:				
Board of Education	17,110,150	17,110,150	17,104,719	5,431
Program and project expenses	141,773	141,773	140,379	1,394

(Continued on following page)

TOWN OF WINCHESTER, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures:				
Debt service:				
Principal retirement	\$ 375,000	\$ 375,000	\$ 375,000	\$ -
Interest	114,280	114,280	114,280	-
	489,280	489,280	489,280	-
Capital outlay	293,286	293,286	622,637	(329,351)
Total expenditures	26,174,677	26,174,677	26,690,552	(515,875)
Excess of Revenues over Expenditures	126,435	126,435	154,849	28,414
Other Financing Sources (Uses):				
Operating transfers in	6,000	6,000	18,282	12,282
Operating transfers out	(132,435)	(132,435)	(131,464)	971
Net Change in Fund Balance	\$ -	\$ -	41,667	\$ 41,667
Fund Balance at Beginning of Year			623,575	
Fund Balance at End of Year			\$ 665,242	

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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.

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

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

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

Permanent Funds

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

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

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

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

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

**TOWN OF WINCHESTER, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2005

Special Revenue Funds

	Industrial Park #2 Fund	Cafeteria Fund	Federal and State Education Grants Fund	Winchester Emergency Shelter Fund	Dog Fund	Brownfields Pilot Program	Infrastructure Assets	Other
ASSETS								
Cash and cash equivalents	\$ 330,339	\$ 11,769	\$	\$ 1,193	\$ 3,939	\$	\$ 661	\$ 473,296
Due from other governments		37,969					592,835	4,000
Due from other funds			47,381	10,700				
Other assets		1,703			4,867			
Total Assets	\$ 330,339	\$ 51,441	\$ 47,381	\$ 11,893	\$ 8,806	\$ -	\$ 593,496	\$ 477,296

**LIABILITIES AND FUND
BALANCES**

Liabilities:								
Accounts payable and accrued items	\$	\$ 10,575	\$	\$	\$ 4,627	\$	\$ 592,835	\$ 11,879
Deferred revenue			12,182					178,423
Due to other governments	153,130		35,199					
Due to other funds	3,200				36,609	13,405		55,625
Total liabilities	156,330	10,575	47,381	-	41,236	13,405	592,835	245,927
Fund Balances:								
Reserved for purpose of trust								
Unreserved and undesignated	174,009	40,866		11,893	(32,430)	(13,405)	661	231,369
Total fund balances	174,009	40,866	-	11,893	(32,430)	(13,405)	661	231,369
Total Liabilities and Fund Balances	\$ 330,339	\$ 51,441	\$ 47,381	\$ 11,893	\$ 8,806	\$ -	\$ 593,496	\$ 477,296

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**TOWN OF WINCHESTER, CONNECTICUT
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2005

	Permanent Funds					Total
	Winchester School Trust Fund	Winchester Sinking Fund	Forest View Cemetery Fund	Winchester Center Cemetery Fund	Other	
ASSETS						
Cash and cash equivalents	\$ 64,793	\$ 83,859	\$ 138,044	\$ 38,322	\$ 157,136	\$ 1,303,351
Due from other governments						634,804
Due from other funds						58,081
Other assets						6,570
Total Assets	\$ 64,793	\$ 83,859	\$ 138,044	\$ 38,322	\$ 157,136	\$ 2,002,806
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued items	\$	\$	\$	\$	\$	\$ 619,916
Deferred revenue						190,605
Due to other governments						188,329
Due to other funds					3,141	111,980
Total liabilities					3,141	1,110,830
Fund Balances:						
Reserved for purpose of trust	64,793	83,859	138,044	38,322	98,571	423,589
Unreserved and undesignated					55,424	468,387
Total fund balances	64,793	83,859	138,044	38,322	153,995	891,976
Total Liabilities and Fund Balances	\$ 64,793	\$ 83,859	\$ 138,044	\$ 38,322	\$ 157,136	\$ 2,002,806

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

FOR THE YEAR ENDED JUNE 30, 2005

	Special Revenue Funds							
	Industrial Park #2 Fund	Cafeteria Fund	Federal and State Education Grants Fund	Fire Truck Fund	Town Aid Roads Fund	Winchester Emergency Shelter Fund	Dog Fund	Brownfields Pilot Program
Revenues:								
Intergovernmental revenues		\$ 198,878	\$ 1,020,239	\$ -	\$ -	\$ 14,700	\$ 7,906	\$ 32,874
Licenses, fees and permits		231,521						
Charges for services		11,252		7		601	1,653	
Interest and dividends		441,651	1,020,239	7		15,301	9,559	32,874
Other revenue								
Total revenues								
Expenditures:								
General government	500	450,080	1,020,239		95,464	17,283	46,511	38,522
Education								
Capital outlay								
Total expenditures	500	450,080	1,020,239	-	95,464	17,283	46,511	38,522
Excess (Deficiency) of Revenues over Expenditures	(500)	(8,429)	-	7	(95,464)	(1,982)	(36,952)	(5,648)
Other Financing Sources (Uses):								
Transfers in					95,464		36,000	
Transfers out				(3,543)				
Net Change in Fund Balances	(500)	(8,429)	-	(3,536)	-	(1,982)	(952)	(5,648)
Fund Balances at Beginning of Year	174,509	49,295	-	3,536	-	13,875	(31,478)	(7,757)
Fund Balances at End of Year	\$ 174,009	\$ 40,866	\$ -	\$ -	\$ -	\$ 11,893	\$ (32,430)	\$ (13,405)

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

FOR THE YEAR ENDED JUNE 30, 2005

	Special Revenue Funds					Permanent Funds					Total	
	Infrastructure Assets	Other	Winchester School Trust Fund	Winchester Sinking Fund	Forest View Cemetery Fund	Winchester Center Cemetery Fund	Other					
Revenues:												
Intergovernmental revenues	\$ 658,385	\$ 213,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,138,176		\$ 2,138,176
Licenses, fees and permits										7,906		7,906
Charges for services		4,203		1,502	2,142	554	2,705			231,521		231,521
Interest and dividends		40,176								14,163		14,163
Other revenue		257,479		1,502	2,142	554	2,705			53,682		53,682
Total revenues	<u>658,385</u>	<u>257,479</u>	<u>3,050</u>	<u>1,502</u>	<u>2,142</u>	<u>554</u>	<u>2,705</u>			<u>2,445,448</u>		<u>2,445,448</u>
Expenditures:												
General government		273,547								471,827		471,827
Education			2,100							1,472,419		1,472,419
Capital outlay	658,385									658,385		658,385
Total expenditures	<u>658,385</u>	<u>273,547</u>	<u>2,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>			<u>2,602,631</u>		<u>2,602,631</u>
Excess (Deficiency) of Revenues over Expenditures	-	(16,068)	950	1,502	2,142	554	2,705			(157,183)		(157,183)
Other Financing Sources (Uses):												
Transfers in		(11,604)			(2,138)	(543)	(454)			131,464		131,464
Transfers out		(27,672)		1,502		11	2,251			(18,282)		(18,282)
Net Change in Fund Balances	-	(27,672)	950	1,502	4	11	2,251			(44,001)		(44,001)
Fund Balances at Beginning of Year	661	259,041	63,843	82,357	138,040	38,311	151,744			935,977		935,977
Fund Balances at End of Year	<u>\$ 661</u>	<u>\$ 231,369</u>	<u>\$ 64,793</u>	<u>\$ 83,859</u>	<u>\$ 138,044</u>	<u>\$ 38,322</u>	<u>\$ 153,995</u>			<u>\$ 891,976</u>		<u>\$ 891,976</u>

TOWN OF WINCHESTER, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL - TOWN AID
 ROADS FUND AND DOG FUND - NON-GAAP BUDGETARY BASIS**

JUNE 30, 2005

	Town Aid Roads Fund			Dog Fund			Total		
	Revised Budget	Actual	Variance - Favorable (Unfavorable)	Revised Budget	Actual	Variance - Favorable (Unfavorable)	Revised Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:									
License fees	\$ -	\$ -	\$ -	\$ 9,750	\$ 7,906	\$ (1,844)	\$ 9,750	\$ 7,906	\$ (1,844)
Miscellaneous revenues	-	-	-	2,439	1,653	(786)	2,439	1,653	(786)
Total revenues	-	-	-	12,189	9,559	(2,630)	12,189	9,559	(2,630)
Expenditures:									
Supplies and expenditures	97,063	95,464	1,599	47,561	46,511	1,050	144,624	141,975	2,649
Total expenditures	97,063	95,464	1,599	47,561	46,511	1,050	144,624	141,975	2,649
Deficiency of Revenues over Expenditures	(97,063)	(95,464)	1,599	(35,372)	(36,952)	(1,580)	(132,435)	(132,416)	19
Other Financing Sources: Operating transfers in	97,063	95,464	(1,599)	35,372	36,000	628	132,435	131,464	(971)
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -	(952)	(952)	\$ -	(952)	(952)
Fund Balances at Beginning of Year	-	-	-	(31,478)	(31,478)	-	(31,478)	(31,478)	-
Fund Balances at End of Year	\$ -	\$ -	\$ -	\$ (32,430)	\$ (32,430)	\$ (952)	\$ (32,430)	\$ (32,430)	\$ (952)

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FIDUCIARY FUNDS

Agency Funds:

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

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

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

TOWN OF WINCHESTER, CONNECTICUT
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS

JUNE 30, 2005

	Agency Funds			Total
	Town Deposit	Student Activities	Other	Agency Funds
Assets:				
Cash and cash equivalents	\$ 4,535	\$ 29,728	\$ 25,312	\$ 59,575
	\$ 4,535	\$ 29,728	\$ 25,312	\$ 59,575
Liabilities:				
Fiduciary deposits	\$ 4,535	\$ 29,728	\$ 25,312	\$ 59,575
	\$ 4,535	\$ 29,728	\$ 25,312	\$ 59,575

TOWN OF WINCHESTER, CONNECTICUT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2005

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
Town Deposit:				
Assets:				
Cash and cash equivalents	\$ 4,535	\$ 83	83	\$ 4,535
Liabilities:				
Fiduciary deposits	\$ 4,535	\$ 83	\$ 83	\$ 4,535
Student Activities:				
Assets:				
Cash and cash equivalents	\$ 19,697	\$ 88,668	\$ 78,637	\$ 29,728
Liabilities:				
Fiduciary deposits	\$ 19,697	\$ 88,668	\$ 78,637	\$ 29,728
Other:				
Assets:				
Cash and cash equivalents	\$ 25,024	\$ 288	\$ -	\$ 25,312
Liabilities:				
Fiduciary deposits	\$ 25,024	\$ 288	\$ -	\$ 25,312
Total - All Agency Funds:				
Assets:				
Cash and cash equivalents	\$ 49,256	\$ 89,039	\$ 78,720	\$ 59,575
Liabilities:				
Fiduciary deposits	\$ 49,256	\$ 89,039	\$ 78,720	\$ 59,575

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

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

TOWN OF WINCHESTER, CONNECTICUT
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS -
SCHEDULE BY SOURCE

JUNE 30, 2005

Governmental Funds Capital Assets:

Land and improvements	\$	25,536,000
Buildings and improvements		4,693,508
Machinery and equipment:		
Schools		1,214,297
Town		<u>4,018,436</u>
 Total	 \$	 <u><u>35,462,241</u></u>

Investments in Governmental Funds Capital Assets by Source:

General Fund	\$	32,859,934
Special Revenue Fund		1,141,748
Capital Projects Funds		<u>1,460,559</u>
 Total	 \$	 <u><u>35,462,241</u></u>

TOWN OF WINCHESTER, CONNECTICUT

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE BY FUNCTION AND ACTIVITY

JUNE 30, 2005

	<u>Land and Improvements</u>	<u>Buildings and Improvements</u>	<u>Machinery and Equipment</u>	<u>Total</u>
General government	\$ 25,536,000	\$ 673,901	\$ 3,035,828	\$ 29,245,729
Public safety		969,923	799,054	1,768,977
Public works		457,440	59,714	517,154
Parks and recreation		469,385	5,000	474,385
Education		<u>2,122,859</u>	<u>1,333,137</u>	<u>3,455,996</u>
Total	<u>\$ 25,536,000</u>	<u>\$ 4,693,508</u>	<u>\$ 5,232,733</u>	<u>\$ 35,462,241</u>

TOWN OF WINCHESTER, CONNECTICUT

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY

FOR THE YEAR ENDED JUNE 30, 2005

	<u>June 30, 2004</u>	<u>Additions</u>	<u>Deductions/ Adjustments</u>	<u>June 30, 2005</u>
General government	\$ 29,245,729	\$	\$	\$ 29,245,729
Public safety	1,543,565	225,412		1,768,977
Public works	517,154			517,154
Parks and recreation	474,385			474,385
Education	<u>3,495,537</u>	<u> </u>	<u>39,541</u>	<u>3,455,996</u>
Total	<u>\$ 35,276,370</u>	<u>\$ 225,412</u>	<u>\$ 39,541</u>	<u>\$ 35,462,241</u>

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SUPPLEMENTAL SCHEDULES

TOWN OF WINCHESTER, CONNECTICUT

GENERAL FUND

SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING

FOR YEAR ENDED JUNE 30, 2005

Grand List of October 1,	Due Date of Tax	New Levy and Uncollected Balance July 1, 2004	Lawful Corrections		Transfers to Suspense	Adjusted Tax Levies	Taxes	Collections		Taxes Receivable June 30, 2005
			Additions	Deductions				Interest	Total	
2003	7/1 and 1/1	\$ 17,650,297	\$	(512)	(1,046)	\$ 17,648,739	\$ 17,175,959	\$ 64,051	\$ 17,240,010	\$ 472,780
2002	7/1 and 1/1	644,149		(518)	(74,048)	569,583	349,235	67,127	416,362	220,348
2001	7/1 and 1/1	225,837		(2,114)	(137)	223,586	86,922	43,105	130,027	136,664
2000*	7/1 and 1/1	126,587		(34,671)	(1,597)	90,319	102,635	126,032	228,667	(12,316)
Total Grand List		\$ 18,646,870	\$ -	(37,815)	(76,828)	\$ 18,532,227	\$ 17,714,751	\$ 300,315	\$ 18,015,066	\$ 817,476

*Includes collection of this list and all prior

TOWN OF WINCHESTER, CONNECTICUT

SCHEDULES OF WATER AND SEWER RENTS LEVIED, COLLECTED AND OUTSTANDING

FOR THE YEAR ENDED JUNE 30, 2005

Water Rents:

<u>Levy as of July 1,</u>	<u>New Levy and Uncollected Balance, July 1, 2004</u>	<u>Collections</u>			<u>Water Rents Receivable, June 30, 2005</u>
		<u>Rents</u>	<u>Interest and Liens</u>	<u>Total</u>	
2004	\$ 1,534,444	\$ 1,427,771	\$ 5,866	\$ 1,433,637	\$ 106,673
2003	163,049	118,434	7,524	125,958	44,615
2002*	129,137	38,481	35,413	73,894	90,656
	<u>\$ 1,826,630</u>	<u>\$ 1,584,686</u>	<u>\$ 48,803</u>	<u>\$ 1,633,489</u>	<u>\$ 241,944</u>

Sewer Rents:

<u>Levy as of July 1,</u>	<u>New Levy and Uncollected Balance, July 1, 2004</u>	<u>Collections</u>			<u>Sewer Rents Receivable, June 30, 2005</u>
		<u>Rents</u>	<u>Interest and Liens</u>	<u>Total</u>	
2004	\$ 1,057,126	\$ 985,463	\$ 3,224	\$ 988,687	\$ 71,663
2003	109,438	82,346	4,547	86,893	27,092
2002*	52,729	19,368	25,914	45,282	33,361
	<u>\$ 1,219,293</u>	<u>\$ 1,087,177</u>	<u>\$ 33,685</u>	<u>\$ 1,120,862</u>	<u>\$ 132,116</u>

* Includes levies of 2002 and prior

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

TOWN OF WINCHESTER, CONNECTICUT
SCHEDULE OF SURETY BONDS COVERING OFFICIALS AND EMPLOYEES
FOR THE YEAR ENDED JUNE 30, 2005

<u>Name</u>	<u>Title</u>	<u>Amount of Bond</u>
Steven V. Angelo	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)

<u>Fiscal Year</u>	<u>Board of Education</u>	<u>Public Works</u>	<u>Public Safety</u>	<u>Miscellaneous</u>	<u>General Government</u>	<u>Welfare</u>	<u>Health</u>	<u>Parks and Recreation</u>	<u>Library</u>	<u>Waste Disposal and Recycling</u>	<u>Debt Service</u>	<u>Capital Outlay</u>	<u>Total</u>
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
2002	16,101	1,733	2,594	976	1,443	45	182	175	197	571	568	871	25,456
2003	16,503	1,629	2,590	541	2,035	51	225	191	194	542	563	1,628	26,692
2004	16,646	1,608	2,765	434	2,172	43	177	194	186	450	516	725	25,916
2005	17,105	1,722	2,912	675	2,162	26	202	210	190	375	489	623	26,691

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

TOWN OF WINCHESTER, CONNECTICUT

**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>
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
2002	16,106	8,927	1,440	26,473
2003	16,114	8,861	579	25,554
2004	17,132	7,859	1,036	26,027
2005	17,928	8,070	848	26,846

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
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
2002	2000	35.84	15,965	15,373	96.29	524	15,897	99.57	921	5.77
2003	2001	35.58	15,977	15,350	96.08	456	15,806	98.93	972	6.08
2004	2002	30.12	17,016	16,371	96.21	480	16,851	99.03	997	5.86
2005	2003	31.20	17,649	17,176	97.32	539	17,715	100.37	817	4.63

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

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

TOWN OF WINCHESTER, CONNECTICUT
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 Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1996		\$ 353,722	\$ 505,317	\$ 32,885	\$ 46,979	\$ 37,975	\$ 54,250	\$ 424,582	\$ 606,546	70
1997		356,755	509,650	33,563	47,947	42,469	60,670	432,787	618,267	70
1998		357,822	511,174	33,855	48,364	44,180	63,114	435,857	622,652	70
1999		359,016	512,880	35,050	50,071	43,909	62,727	437,975	625,678	70
2000		360,182	514,546	34,822	49,746	45,583	65,119	440,587	629,411	70
2001		361,325	516,179	38,788	55,411	50,232	71,760	450,345	643,350	70
2002		363,444	519,206	39,138	55,911	52,570	75,100	455,152	650,217	70
2003		364,258	520,369	40,394	57,706	54,129	77,327	458,781	655,401	70
2004		478,924	684,177	37,925	54,179	56,368	80,526	573,217	818,881	70
2005		480,305	686,150	37,873	54,104	54,192	77,417	572,370	817,671	70

There is no overlapping taxable property.

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

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

Fiscal Year	Population (1)	Assessed Value (2)	Net General Bonded Debt (3)(4)(5)	Ratio of Net General Bonded Debt to Assessed Value	Net General Bonded Debt per Capita
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
2002	10,664	455,152,000	2,555,000	0.56	240
2003	10,664	458,781,000	2,180,000	0.48	204
2004	10,664	573,217,000	1,805,000	0.31	169
2005	10,664	572,370,000	1,430,000	0.25	134

(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.

TOWN OF WINCHESTER, CONNECTICUT

SCHEDULE OF DEBT LIMITATION

JUNE 30, 2005

Total Tax Collections, Including Interest and Lien Fees, for Current Fiscal Year	\$ 18,015,066
Reimbursement for Revenue Loss on:	
Tax relief for elderly and disabled	71,780
Private property tax exemptions	235,820
Manufacturers PILOT grant	245,869
Motor boats	<u>14,829</u>
Base	\$ <u>18,583,364</u>

	<u>General Long-Term Debt</u>			
	<u>General Purposes</u> (2.25 x base)	<u>Schools</u> (4.50 x base)	<u>Urban Renewal</u> (3.25 x base)	<u>Enterprise</u> (3.75 x base)
Debt Limitation: Statutory debt limits by function	\$ 41,812,569	\$ 83,625,138	\$ 60,395,933	\$ 69,687,615
Debt: Bonds payable	<u> </u>	<u>1,430,000</u>	<u> </u>	<u>10,155,000</u>
Debt Limitation in Excess of Debt*	\$ <u>41,812,569</u>	\$ <u>82,195,138</u>	\$ <u>60,395,933</u>	\$ <u>59,532,615</u>

*In no event shall total debt exceed seven times annual receipts from taxation. The maximum amount permitted under this formula would be approximately \$130,083,548.

TOWN OF WINCHESTER, CONNECTICUT

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

LAST TEN FISCAL YEARS

(In Thousands)

<u>Fiscal Year</u>	<u>Principal (1)</u>	<u>Interest (1)</u>	<u>Total Debt Service (1)</u>	<u>Total General Expenditures (2)</u>	<u>Ratio of Debt to Total General Expenditures</u>
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
2002	375	193	568	25,456	2.23
2003	375	167	542	26,692	2.03
2004	375	141	516	25,916	1.99
2005	375	114	489	26,691	1.83

(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.

TOWN OF WINCHESTER, CONNECTICUT

DEMOGRAPHIC STATISTICS (1)

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population (2)</u>	<u>School Enrollment (3)</u>	<u>Per Capita Income (4)</u>	<u>Unemployment Rate (5)</u>
1996	11,342	1,229	\$	6.6 %
1997	11,300	1,254		6.8
1998	11,422	1,220		4.4
1999	11,422	1,182		3.8
2000	11,524	1,079	22,589	2.5
2001	11,590	1,165		4.2
2002	10,664	1,165		6.0
2003	10,664	1,106		6.0
2004	10,664	1,120		5.6
2005	10,664	1,088	22,589	6.2

(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.

TOWN OF WINCHESTER, CONNECTICUT
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					
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		
2002	7	1,905	24	3,499	51,050	309,650	51,150		
2003	6	2,001	22	3,674	53,603	325,132	53,707		
2004	1	45	63	6,312	53,648	331,344	53,707		
2005	3	1,286	39	6,984	56,330	347,911	56,392		

(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.

TOWN OF WINCHESTER, CONNECTICUT

PRINCIPAL TAXPAYERS

AS OF JUNE 30, 2005

	Assessed Valuation as of October 1, 2003	Percentage of Gross Taxable Grand List	Nature of Business
1. Howmet Turbine	\$ 8,091,930	1.41 %	Manufacturer
2. Connecticut Light & Power	6,102,830	1.07	Utility
3. Ledgebrook LLC	5,796,140	1.01	Shopping Center
4. Yankee Gas	3,939,770	0.69	Utility
5. Barden Corp	3,163,830	0.55	Manufacturer
6. Litchfield Gardens Apts LLC	2,611,770	0.46	Apartments
7. Homer D Bronson Co	2,439,580	0.43	Manufacturer
8. Electric Motion Company Inc.	1,971,070	0.34	Manufacturer
9. Litchfield Heights Apts LLC	1,922,410	0.34	Apartments
10. Nationwide Health Properties Inc.	1,730,750	0.30	Commercial Real Estate
	<u>\$ 37,770,080</u>	<u>6.60 %</u>	

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

TOWN OF WINCHESTER, CONNECTICUT

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>
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
2002	170	320	93		288	871
2003	455	855	217	69	32	1,628
2004	330	320	54	9	12	725
2005	236	10	311	9	57	623

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

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

TOWN OF WINCHESTER, CONNECTICUT

SUPPLEMENTAL DATA

AS OF JUNE 30, 2005

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

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>Elections</u>		<u>Police Protection</u>	
Registered voters	6,869	Police cars	10
Votes cast in last:		Police officers	25
National election	4,690	Civilian employees	9
State election	3,368		
Municipal election	2,588	<u>Fire Protection</u>	
Percentage of registered		Stations	4
voters voting in last:		Volunteer firemen	111
National election	68 %	Full-time paid firemen	1
State election	49 %		
Municipal election	38 %	<u>Town Employees</u> (Full-Time)	
		Town	83
<u>Library</u>		School	178
Main building	1		
Employees	10		
Full-time	3		
Part-time	5		