

TOWN OF WINCHENDON, MASSACHUSETTS

Report on Examination of
Basic Financial Statements
and Additional Information
Year Ended June 30, 2010

TOWN OF WINCHENDON, MASSACHUSETTS

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ROSELLI, CLARK & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT CONSULTANTS

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Selectmen
Town of Winchendon, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Town of Winchendon, Massachusetts, (the "Town") as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic 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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Town as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 5, 2010 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 10, the funding and contribution progress for pension benefits and other post employment benefits on page 42 and budgetary comparison information on pages 43-44, be presented to supplement the basic financial statements.

Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Roselli Clark & Associates

Roselli, Clark and Associates
Certified Public Accountants
Woburn, Massachusetts
November 5, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town we offer readers of the accompanying financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information found on pages 11 - 44.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by approximately \$39.7 million (*total net assets*). This was up \$4.0 million from the preceding year, and caused by an increase of approximately \$0.5 million in *governmental type activities* and an increase of approximately \$3.5 million in *business type activities*. The increase in governmental type activities was caused by an increase of \$0.8 million in unspent intergovernmental grant funds at year end, offset by poorer than expected operating results in the general fund. The increase in the business type activities was primarily due to the recognition of approximately \$4.0 million in sewer betterments to be used for improvements to the Town sewer infrastructure.
- As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund surplus of approximately \$7.3 million. This was approximately \$0.5 million higher than the prior year. This was primarily due to unspent intergovernmental grant funds at year end as these grants may be carried into subsequent years.
- The accounting treatment for certain items vary greatly between the Statement of Net Assets and the Governmental Fund Balance Sheet thus the significant differences in equity and fund balance amounts between the two statements noted above. The reconciliation has been provided on page 14 of the accompanying basic financial statements to assist the reader to understand these differences.
- The Town's total debt is approximately \$16.5 million. The total long-term debt decreased by approximately \$2.7 million due to regularly scheduled maturities. There were no new issuances of debt.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Town's 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.)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (governmental activities), functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*) and functions of legally separate entities that are included because the Town is financially accountable for them (*component units*). The governmental activities of the Town include general government, public safety, highways and streets, sanitation, education, economic development, debt service, fringe benefits and culture and recreation. The business-type activities of the Town include water, sewer and transfer station enterprise funds. The component unit presented discretely in this report is the Winchendon Redevelopment Authority. The government-wide financial statements can be found on pages 11-12 of this report.

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

Governmental Fund – *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 funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations are provided on pages 14 and 16 to facilitate this comparison.

The Town maintains six individual governmental 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, road drainage fund and stabilization fund. Data from the other three governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 13-16 of this report.

The Town 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 on page 43.

Proprietary Funds – The Town maintains two types of proprietary funds. *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 its water, sewer and transfer station enterprise activities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 17-19 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found of pages 20 - 21 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found of pages 22-41 of this report.

Government-wide Financial Analysis (see Exhibit I and Exhibit II on pages 9 and 10)

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In this case, the Town's assets exceeded liabilities by approximately \$39.7 million at the close of the most recent fiscal year.

By far the largest portion (approximately 72.5%) of the Town's net assets reflects its investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment), less any related debt (netted down by those amounts expected to be reimbursed by the Commonwealth) used to acquire those assets that is still outstanding. The Town uses 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.

An additional portion of the Town's net assets (approximately 19.8%) represents resources that are subject to external restriction on how they may be used. The remaining balance of *unrestricted net assets*, (less than 7.7%), may be used to meet the government's ongoing obligations.

In the current fiscal year, the government's total net assets increased by approximately \$4.0 million. This was caused by an increase of approximately \$0.5 million in *governmental type activities* and an increase of approximately \$3.5 million in *business type activities*. The increase in governmental type activities was due to an increase of \$0.8 million in unspent intergovernmental grant funds at year end, offset by poorer than expected operating results in the general fund. The increase in the business type activities was primarily due to the recognition of approximately \$4.0 million in sewer betterments to be used for improvements to the Town sewer infrastructure.

Governmental Activities – During 2010 Town property taxes made up approximately 29.2% of total revenues, up from 27.3% in the comparable prior year period. Operating and capital grants made up 58.7% of total revenues, up from 54.6% in the comparable prior year period. No other revenues were greater than 10% of total revenues in 2010 or 2009. The largest expense by far is education which made up 75.7% of total expenses, up from 74.7 % in the prior year. Public safety expenses made up approximately 9.4% of total expenses, down from 10.2% in the prior year. No other expense types were greater than 10% of total expenses in 2010 or 2009.

Business-type Activities – Major revenue sources consist of revenue from user charges which represented approximately 28.1% of total revenues and capital grants and contributions which are approximately 65.5% of total revenues. Water, sewer and transfer station expenses represented 40.5%, 51.6% and 7.9% of total business type expenses, respectively.

Financial Analysis of the Government's Funds – As noted earlier, the Town uses fund accounting to ensure and demonstrate 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 the Town's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund surplus of approximately \$7.3 million. This was approximately \$0.5 million higher than the prior year. This was primarily due to an intergovernmental grant that will be expended during fiscal year 2011.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unreserved fund balance of the general fund was approximately \$13,000. Total fund balance reached approximately \$0.4 million or 1.5% of total general fund expenditures.

The fund balance of the Town's general fund decreased from the previous year by approximately \$0.6 million. This was due to the Town collecting \$0.2 million less revenue than budgeted and incurring an additional \$0.1 million in state charges than budgeted. The remainder is due to a budgeted use of overlay surplus and free cash.

The stabilization fund has a total fund balance of approximately \$1.8 million. These are unencumbered accumulated financial resources that are subject to appropriation as directed by the Town's legislative branch. These funds are typically used for nonrecurring expenditures, usually capital in nature or unexpected items that may arise during the year.

The infrastructure investment fund has a total fund balance of approximately \$1.2 million. This is used to account for certain accumulated financial resources that are held for the specific purpose of funding future debt service that was issued to fund the landfill cap and post-closure monitoring costs.

Nonmajor governmental funds comprise the remaining governmental funds and consist of funds like capital projects, grant and revolving accounts, trust funds, recreation funds and other funds where revenues are primarily derived from user charges and grants. At June 30, 2010, the fund balance in the nonmajor governmental funds was \$3.9 million which represents an increase of approximately \$1.0 million from the prior year. This was primarily due to an increase of \$0.8 million in unspent grant funds that Town expects to expend in fiscal year 2011.

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

Fiduciary Funds – The Town reports funds it possesses that are legally held in trust for use in scholarships and the indigent as private purpose funds and deposits with the Town's planning board as agency funds.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were less than 1%. Detail may be reviewed on page 43 of this report.

Capital Asset and Debt Administration

Capital Assets – As of June 30, 2010, the Town’s investment in capital assets for its governmental activities approximated \$21.2 million and for its business type activities approximate \$17.2 million. Governmental fixed assets decreased by approximately \$0.7 million as depreciation exceeded additions, and business type fixed assets increased by approximately \$0.3 million as additions exceeded depreciation.

The Town has undergone significant capital improvements over the past several years. These include major additions to its educational facilities, roads, streets, highway, and its water and sewer distribution systems. A significant amount of these improvements were funded with reimbursements from the Commonwealth of Massachusetts.

Additional information on the Town capital assets can be found in note III.D. on pages 32 and 33 of this report.

Long-term Debt – The Town’s total debt is approximately \$16.5 million. The total long-term debt decreased by approximately \$2.7 million due to regularly scheduled maturities. There were no new issuances of debt.

The Town will receive reimbursements for a portion of any principal pay back related to debt issued for school construction. The remaining expected reimbursement of principal is approximately \$2.4 million and will be received ratably over the next several years. The Town will receive reimbursements for a portion of any principal payback of debt issued through agreements with the Massachusetts Water Pollution Abatement Trust. The Town expects to receive approximately \$2.9 million of principal and approximately \$2.6 million of interest in aggregate over the next 15 years.

The Town maintained an “A” rating as set by Standard and Poor for general obligation debt.

State law permits a Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5% of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, a Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit.” The Town’s legal debt margin as of June 30, 2010 was approximately \$28.8 million based on an equalized valuation of approximately \$760.7 million.

The Town also holds a proportionate share of debt of other governmental units that provide services within the Town’s boundaries. The debt service from such arrangements is assessed annually to the Town.

Additional information on the Town’s debt can be found in note III.E and F on pages 34 -37 of this report.

Economic Factors and Next Year's Budgets and Rates

- Consistent with both State and National work force trends, the Town's unemployment rates have stabilized over the past twelve months, and this trend may continue into calendar 2011. When the economy rebounds, the Town expects to participate in the rebound and ultimately experience an improvement in unemployment. However, the extent, timing or certainty of any economic rebound cannot be reasonably estimated at this time.
- The Town's real estate tax base is made up predominantly of residential taxes, which in 2010 are approximately 91.5% of the entire levy. The Town does rely to a lesser, but still moderate, extent on its commercial, industrial and personnel property real estate tax base which comprise the remainder of the levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as proposition 2 ½, limits the Town's ability to increase taxes in any one year by more than 2 ½% of the previous year tax levy.
- The Town's housing market has stabilized from the recent downward trend. Housing prices are still approximately 25% lower than their 2005 peaks. As the economy rebounds, the Town expects its housing market to participate ratably in the rebound. However, the extent, timing or certainty of any housing rebound can not be reasonably estimated at this time.
- During 2010, the Town like many other communities was faced with many consequences of the adverse economy as state aid, local receipts and investment income were lower than expected, which led to unexpected revenue deficits. The Town expects the trend of lower state aid and sluggish local receipts to continue into 2011.
- The Town responded well to reductions in State Aid and other local non-property tax receipts in fiscal years 2009 and 2010 by limiting cuts to local service levels. However, possible revenue deficits, the Commonwealth continuing to cut State Aid, inflationary pressures and other collateral challenges have required the Town to make additional budget cuts in order to balance its' budget for fiscal year 2011. The proposed fiscal year 2011 annual budget incorporates a program of expenditure reductions and is in balance reflecting lower appropriations to meet realistic revenue estimates.
- The Town's tax rate for 2011 is expected to be set prior to December 31, 2010.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Town Accountant, Town Hall, 109 Front Street, Winchendon, Massachusetts, 01475.

Exhibit I
Government-Wide Financial Analysis
Net Assets

	Governmental activities		Business activities		Total	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
<u>Assets</u>						
Current and other assets	\$ 15,316	\$ 14,777	\$ 10,138	\$ 6,826	\$ 25,454	\$ 21,603
Capital assets, net	21,198	21,881	17,224	16,956	38,422	38,837
Total assets	36,514	36,658	27,362	23,782	63,876	60,440
<u>Liabilities</u>						
Long-term liabilities	8,107	8,395	10,745	11,489	18,852	19,884
Other liabilities	3,341	3,694	1,957	1,181	5,298	4,875
Total liabilities	11,448	12,089	12,702	12,670	24,150	24,759
<u>Net Assets</u>						
Invested in capital assets, net of related debt	16,176	14,890	12,621	9,417	28,797	24,307
Restricted	7,873	6,807	-	-	7,873	6,807
Unrestricted	1,017	2,872	2,039	1,694	3,056	4,566
Net Assets	\$ 25,066	\$ 24,569	\$ 14,660	\$ 11,111	\$ 39,726	\$ 35,680

Exhibit II
Government-Wide Financial Analysis
Changes in Net Assets

	Governmental activities		Business activities		Total	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 1,191	\$ 2,992	\$ 1,712	\$ 1,473	\$ 2,902	\$ 4,465
Operating grants and contributions	17,678	17,571	392	-	18,070	17,571
Capital grants and contributions	1,620	1,054	3,988	-	5,607	1,054
General revenues:						
Property taxes	9,579	9,308	-	-	9,579	9,308
Intergovernmental	1,518	1,974	-	-	1,518	1,974
Other	1,272	1,216	-	18	1,272	1,234
Total revenues	32,857	34,115	6,091	1,491	38,949	35,606
<u>Expenses</u>						
General government	1,782	2,111	-	-	1,782	2,111
Public safety	3,008	3,486	-	-	3,008	3,486
Education	24,335	25,568	-	-	24,335	25,568
Public works	1,730	1,812	-	-	1,730	1,812
Health and human services	517	547	-	-	517	547
Culture and recreation	322	270	-	-	322	270
Community development	143	128	-	-	143	128
Debt service	308	291	-	-	308	291
Water	-	-	1,118	630	1,118	630
Sewer	-	-	1,426	1,072	1,426	1,072
Transfer station	-	-	217	-	217	-
Total expenses	32,144	34,213	2,761	1,702	34,905	35,915
Increase (deficiency) in net assets before transfers	713	(98)	3,330	(211)	4,043	(309)
Transfers	(215)	(234)	217	234	2	-
Increase (decrease) in net assets	498	(332)	3,548	23	4,045	(309)
Net assets, beginning of year	24,568	24,900	11,112	11,089	35,680	35,989
Net assets, end of year	<u>\$ 25,066</u>	<u>\$ 24,568</u>	<u>\$ 14,660</u>	<u>\$ 11,112</u>	<u>\$ 39,725</u>	<u>\$ 35,680</u>

TOWN OF WINCHENDON, MASSACHUSETTS

STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Winchendon Redevelopment Authority
ASSETS				
Cash and cash equivalents	\$ 3,301,200	\$ 1,558,406	\$ 4,859,606	\$ 37,790
Investments	3,653,247		3,653,247	-
Restricted cash	695,884	-	695,884	-
Restricted investments	917,679	-	917,679	-
Deposits held by third party	385,000	-	385,000	-
Receivables, net of allowance for uncollectibles:				
Property taxes	1,904,306	-	1,904,306	-
User fees	-	785,677	785,677	-
Betterments	-	5,092,422	5,092,422	-
Departmental and other	385,297	-	385,297	33,300
Intergovernmental	4,073,607	2,701,366	6,774,973	-
Other assets	-	-	-	764,300
Land	1,982,304	26,735	2,009,039	-
Construction in process	-	416,633	416,633	-
Depreciable capital assets, net of accumulated depreciation	19,215,896	16,780,691	35,996,587	-
TOTAL ASSETS	36,514,420	27,361,930	63,876,350	835,390
LIABILITIES				
Warrants and accounts payable	609,031	84,779	693,810	-
Incurred but not reported health claims	449,326	-	449,326	-
Other liabilities	106,857	-	106,857	-
Bond anticipation notes payable	98,000	1,068,000	1,166,000	-
Noncurrent liabilities:				
Due within one year	2,077,878	804,033	2,881,911	-
Due in more than one year	8,107,162	10,745,487	18,852,649	-
TOTAL LIABILITIES	11,448,254	12,702,299	24,150,553	-
NET ASSETS				
Invested in capital assets, net of related debt	16,176,449	12,620,504	28,796,953	-
Restricted for:				
Capital projects	22,317	-	22,317	-
Health insurance trust	939,753	-	939,753	-
Perpetual funds:				
Expendable	332,209	-	332,209	-
Permanent	1,281,354	-	1,281,354	-
Other purposes	5,296,610	-	5,296,610	764,300
Unrestricted	1,017,474	2,039,127	3,056,601	71,090
NET ASSETS	\$ 25,066,166	\$ 14,659,631	\$ 39,725,797	\$ 835,390

The notes to the financial statements are an integral part of this statement.

TOWN OF WINCHENDON, MASSACHUSETTS

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
FUNCTIONS/PROGRAMS								
Governmental Activities:								
General government	\$ 1,782,348	\$ 161,055	\$ 12,639	\$ -	\$ (1,608,654)	\$ -	\$ (1,608,654)	Winchendon Redevelopment Authority
Public safety	3,007,722	366,808	82,404	53,337	(2,505,173)	-	(2,505,173)	
Education	24,334,878	549,168	16,908,603	-	(6,877,107)	-	(6,877,107)	
Public works	1,729,937	9,933	76,178	338,433	(1,305,393)	-	(1,305,393)	
Health and human services	516,547	42,936	241,185	-	(232,426)	-	(232,426)	
Culture and recreation	322,082	5,293	186,971	-	(129,818)	-	(129,818)	
Community development	143,157	55,357	-	1,227,749	1,139,949	-	1,139,949	
Debt service	307,539	-	170,207	-	(137,332)	-	(137,332)	
Total Governmental Activities	32,144,210	1,190,550	17,678,187	1,619,519	(11,655,954)	-	(11,655,954)	
Business-Type Activities:								
Water	1,117,904	783,954	62,914	-	-	(271,036)	(271,036)	Winchendon Redevelopment Authority
Sewer	1,426,029	728,243	329,005	3,987,783	-	3,619,002	3,619,002	
Transfer station	216,978	199,314	-	-	-	(17,664)	(17,664)	
Total Primary Government	\$ 34,905,121	\$ 2,902,061	\$ 18,070,106	\$ 5,607,302	(11,655,954)	3,330,302	(8,325,652)	
Component Unit:	\$ 21,267	\$ -	\$ 558,037	\$ -			\$ 536,770	
General Revenues:								
Real and personal property taxes					9,578,810	-	9,578,810	-
Intergovernmental					1,518,241	-	1,518,241	-
Motor vehicle and other excise					845,459	-	845,459	-
Penalties and interest					169,187	-	169,187	-
Investment income					257,448	-	257,448	513
Transfers (net)					(215,489)	217,489	2,000	-
Total general revenues and transfers					12,153,656	217,489	12,371,145	513
Change in Net Assets					497,702	3,547,791	4,045,493	537,283
Net Assets:								
Beginning of year					24,568,464	11,111,840	35,680,304	298,107
End of year					\$ 25,066,166	\$ 14,659,631	\$ 39,725,797	\$ 835,390

The notes to the financial statements are an integral part of this statement.

TOWN OF WINCHENDON, MASSACHUSETTS

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010

	General	Stabilization	Infrastructure Investment	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and short-term investments	\$ 1,040,421	\$ -	\$ -	\$ 1,903,238	\$ 2,943,659
Investments	-	1,842,970	1,163,739	-	3,006,709
Receivables, net of allowance for uncollectibles:					
Property taxes	852,484	-	-	-	852,484
Departmental and other	1,373,268	-	-	63,851	1,437,119
Intergovernmental	2,642,862	-	-	1,430,745	4,073,607
Cash - restricted	-	-	-	695,884	695,884
Investments - restricted	-	-	-	917,679	917,679
Total Assets	\$ 5,909,035	\$ 1,842,970	\$ 1,163,739	\$ 5,011,397	\$ 13,927,141
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Warrants and accounts payable	\$ 575,315	\$ -	\$ -	\$ 33,716	\$ 609,031
Deferred revenues	4,727,383	-	-	1,051,900	5,779,283
Other liabilities	106,857	-	-	-	106,857
Bond anticipation notes payable	98,000	-	-	-	98,000
Total Liabilities	5,507,555	-	-	1,085,616	6,593,171
FUND BALANCES:					
Reserved for:					
Encumbrances	178,681	-	-	-	178,681
Expenditures	210,063	-	-	-	210,063
Stabilization	-	1,842,970	-	-	1,842,970
Infrastructure investment	-	-	1,163,739	-	1,163,739
Perpetual permanent funds	-	-	-	332,209	332,209
Unreserved for:					
Undesignated, reported in:					
General fund	12,736	-	-	-	12,736
Special revenue funds	-	-	-	2,289,901	2,289,901
Capital projects funds	-	-	-	22,317	22,317
Permanent funds	-	-	-	1,281,354	1,281,354
Total Fund Balances	401,480	1,842,970	1,163,739	3,925,781	7,333,970
Total Liabilities and Fund Balances	\$ 5,909,035	\$ 1,842,970	\$ 1,163,739	\$ 5,011,397	\$ 13,927,141

The notes to the financial statements are an integral part of this statement.

TOWN OF WINCHENDON, MASSACHUSETTS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

Total Governmental Fund Balances	\$ 7,333,970
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	21,198,200
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Assets and liabilities of the internal service funds are included in the statement of net assets, but are not reported in the government funds.	939,753
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Other long-term assets are not available to pay for current-period expenditures and are therefore deferred on funds.	5,779,283
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the government funds:	
Bonds and notes payable	(5,021,751)
Landfill monitoring	(567,000)
Compensated absences	(1,112,540)
Other post-employment benefits	(3,483,749)

Net Assets of Governmental Activities	<u>\$ 25,066,166</u>
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The notes to the financial statements are an integral part of this statement.

**TOWN OF WINCHENDON, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2010**

	General	Stabilization	Infrastructure Investment	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Real estate and personal property taxes, net	\$ 9,476,374	\$ -	\$ -	\$ -	\$ 9,476,374
Intergovernmental	15,548,421	-	-	4,439,069	19,987,490
Motor vehicle and other excises	841,414	-	-	-	841,414
Licenses and permits	136,709	-	-	-	136,709
Departmental and other	456,740	-	-	587,907	1,044,647
Penalties and interest	169,187	-	-	-	169,187
Fines and forfeitures	38,344	-	-	-	38,344
Investment income	11,198	76,042	48,987	94,618	230,845
Contributions and donations	-	-	-	659,321	659,321
Total Revenues	26,678,387	76,042	48,987	5,780,915	32,584,331
OTHER FINANCING SOURCES					
Transfers in	160,101	5,555	-	-	165,656
Total Other Financing Sources	160,101	5,555	-	-	165,656
Total Revenues and Other Financing Sources	26,838,488	81,597	48,987	5,780,915	32,749,987
EXPENDITURES					
General government	1,214,756	-	-	57,705	1,272,461
Public safety	1,912,177	-	-	125,859	2,038,036
Education	16,272,307	-	-	3,719,012	19,991,319
Public works	1,242,869	-	-	412,168	1,655,037
Health and human services	391,400	-	-	42,722	434,122
Culture and recreation	156,744	-	-	58,115	214,859
Community development	-	-	-	143,157	143,157
State and county tax assessments	924,202	-	-	-	924,202
Pensions and other fringes	2,891,996	-	-	-	2,891,996
Debt service	2,161,058	-	-	119,972	2,281,030
Total Expenditures	27,167,509	-	-	4,678,710	31,846,219
OTHER FINANCING USES					
Transfers out	223,044	-	80,000	78,101	381,145
Total Expenditures and Other Financing Uses	27,390,553	-	80,000	4,756,811	32,227,364
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(552,065)	81,597	(31,013)	1,024,104	522,623
FUND BALANCES, July 1, 2009	953,545	1,761,373	1,194,752	2,901,677	6,811,347
FUND BALANCES, June 30, 2010	\$ 401,480	\$ 1,842,970	\$ 1,163,739	\$ 3,925,781	\$ 7,333,970

The notes to the financial statements are an integral part of this statement.

TOWN OF WINCHENDON, MASSACHUSETTS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2010**

Net Change in Fund Balances - Total Governmental Fund Balances **\$ 522,623**

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. Capital outlays amounted to \$357,971 and depreciation expense totaled \$1,040,284, net of disposals. The net amount is reflected here as a reconciling item. (682,313)

In the Statement of Activities, Internal Service Funds established to administer the Town's health insurance costs are included within the activity, whereas these activities are not presented in the Statement of Revenues, Expenditures and Changes in Fund Balances. (8,998)

The issuance of long-term debt (e.g. bonds, notes and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount represents the regular scheduled maturities of debt. There were no proceeds from debt issuances during the year. 1,877,186

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable differ between the two statements. The amount presented represents the difference in deferred revenue. 342,772

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 the governmental funds:

Landfill monitoring	27,000
Capital lease obligations	91,213
Compensated absences	70,511
Other post-employment benefits	(1,742,292)

Change in Net Assets of Governmental Activities **\$ 497,702**

The notes to the financial statements are an integral part of this statement.

TOWN OF WINCHENDON, MASSACHUSETTS

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Business-type Activities				Governmental Activities
	Enterprise Funds				Internal Service Fund - Health Claims
	Water	Sewer	Transfer Station	Totals	
ASSETS					
CURRENT:					
Cash and cash equivalents	\$ 622,329	\$ 913,675	\$ 22,402	\$ 1,558,406	\$ 357,541
Investments	-	-	-	-	646,538
Receivables, net of allowance for uncollectibles:					
User charges	361,851	423,826	-	785,677	-
Betterments	-	116,676	-	116,676	-
Intergovernmental	43,243	105,834	-	149,077	-
Total Current Assets	<u>1,027,423</u>	<u>1,560,011</u>	<u>22,402</u>	<u>2,609,836</u>	<u>1,004,079</u>
NONCURRENT:					
Restricted:					
Deposits held by other parties	-	-	-	-	385,000
Receivables, net of allowance for uncollectibles:					
Betterments	-	4,975,746	-	4,975,746	-
Intergovernmental	420,667	2,131,622	-	2,552,289	-
Land	16,385	10,350	-	26,735	-
Construction in process	416,633	-	-	416,633	-
Depreciable capital assets, net of accumulated depreciation	<u>4,798,304</u>	<u>11,982,387</u>	<u>-</u>	<u>16,780,691</u>	<u>-</u>
TOTAL ASSETS	<u>6,679,412</u>	<u>20,660,116</u>	<u>22,402</u>	<u>27,361,930</u>	<u>1,389,079</u>
LIABILITIES					
CURRENT:					
Accounts payable and accrued expenses	46,106	29,418	9,255	84,779	-
Health claims payable	-	-	-	-	449,326
Notes payable	1,068,000	-	-	1,068,000	-
Current portion of bond and note indebtedness	199,493	601,585	-	801,078	-
Current portion of compensated absences	-	-	2,955	2,955	-
Total Current Liabilities	<u>1,313,599</u>	<u>631,003</u>	<u>12,210</u>	<u>1,956,812</u>	<u>449,326</u>
NONCURRENT:					
Bond and note indebtedness	1,575,907	9,107,569	-	10,683,476	-
Compensated absences	-	-	5,087	5,087	-
Other post employment benefits	-	34,155	22,769	56,924	-
TOTAL LIABILITIES	<u>2,889,506</u>	<u>9,772,727</u>	<u>40,066</u>	<u>12,702,299</u>	<u>449,326</u>
NET ASSETS					
Invested in capital assets, net of related debt	2,923,481	9,697,023	-	12,620,504	-
Held for health claims	-	-	-	-	939,753
Unrestricted	<u>866,425</u>	<u>1,190,366</u>	<u>(17,664)</u>	<u>2,039,127</u>	<u>-</u>
NET ASSETS	<u>\$ 3,789,906</u>	<u>\$ 10,887,389</u>	<u>\$ (17,664)</u>	<u>\$ 14,659,631</u>	<u>\$ 939,753</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF WINCHENDON, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
YEAR ENDED JUNE 30, 2010**

	Business-type Activities				Governmental Activities
	Enterprise Funds				Internal Service Fund - Health Claims
	Water	Sewer	Transfer Station	Totals	
OPERATING REVENUES					
Charges for services	\$ 762,264	\$ 701,919	\$ 199,314	\$ 1,663,497	\$ -
Employee contributions	-	-	-	-	1,292,766
Employer contributions	-	-	-	-	1,715,055
Other revenues	21,690	26,324	-	48,014	93,106
Total Operating Revenues	783,954	728,243	199,314	1,711,511	3,100,927
OPERATING EXPENSES					
Operating costs	867,838	664,637	216,978	1,749,453	-
Health claims	-	-	-	-	3,136,528
Depreciation	143,905	307,572	-	451,477	-
Total Operating Expenses	1,011,743	972,209	216,978	2,200,930	3,136,528
OPERATING INCOME	(227,789)	(243,966)	(17,664)	(489,419)	(35,601)
NONOPERATING REVENUES (EXPENSES):					
Interest income	-	-	-	-	26,603
Intergovernmental	62,914	329,005	-	391,919	-
Betterments	-	3,987,783	-	3,987,783	-
Interest expense	(106,161)	(453,820)	-	(559,981)	-
Transfers, net	4,700	212,789	-	217,489	-
Total Nonoperating Revenues (Expenses), net	(38,547)	4,075,757	-	4,037,210	26,603
CHANGE IN NET ASSETS	(266,336)	3,831,791	(17,664)	3,547,791	(8,998)
NET ASSETS AT BEGINNING OF YEAR	4,056,242	7,055,598	-	11,111,840	948,751
NET ASSETS AT END OF YEAR	<u>\$ 3,789,906</u>	<u>\$ 10,887,389</u>	<u>\$ (17,664)</u>	<u>\$ 14,659,631</u>	<u>\$ 939,753</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF WINCHENDON, MASSACHUSETTS

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS -
YEAR ENDED JUNE 30, 2010

	Business-type Activities				Governmental Activities
	Enterprise Funds				Internal Service Fund - Health Claims
	Water	Sewer	Transfer Station	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from users	\$ 912,099	\$ 758,625	\$ 199,314	\$ 1,870,038	\$ 1,292,766
Employer contributions	-	-	-	-	1,715,055
Other revenues	21,690	26,324	-	48,014	93,106
Payments to vendors and employees	(908,637)	(625,824)	(176,912)	(1,711,373)	(3,013,528)
Net Cash Provided by Operating Activities	25,152	159,125	22,402	206,679	87,399
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers, net	4,700	212,789	-	217,489	-
Net Cash Provided by Noncapital Related Financing Activities	4,700	212,789	-	217,489	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from betterments	-	874,373	-	874,373	-
Subsidies from other governments	98,725	427,232	-	525,957	-
Proceeds from issuance of bonds and notes	778,000	-	-	778,000	-
Acquisition and construction of capital assets	(719,527)	-	-	(719,527)	-
Principal reductions on bonds	(192,763)	(590,959)	-	(783,722)	-
Interest expense	(106,161)	(453,820)	-	(559,981)	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	(141,726)	256,826	-	115,100	-
NET CHANGE IN CASH AND EQUIVALENTS	(111,874)	628,740	22,402	539,268	87,399
CASH AND EQUIVALENTS:					
July 1, 2009	734,203	284,935	-	1,019,138	270,142
June 30, 2010	\$ 622,329	\$ 913,675	\$ 22,402	\$ 1,558,406	\$ 357,541
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:					
Operating income (loss)	\$ (227,789)	\$ (243,966)	\$ (17,664)	\$ (489,419)	\$ (35,601)
Depreciation	143,905	307,572	-	451,477	-
Changes in assets and liabilities:					
Receivables - user charges	99,641	56,706	-	156,347	-
Deposits held by other parties	-	-	-	-	53,200
Other assets	50,194	-	-	50,194	-
Accounts payable and accrued expenses	(40,799)	4,658	9,255	(26,886)	-
Health claims payable	-	-	-	-	69,800
Compensated absences	-	-	8,042	8,042	-
Other post employment benefits	-	34,155	22,769	56,924	-
Net Cash Provided From Operating Activities	\$ 25,152	\$ 159,125	\$ 22,402	\$ 206,679	\$ 87,399

The notes to the financial statements are an integral part of this statement.

TOWN OF WINCHENDON, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2010**

	Private Purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
CURRENT:		
Cash and cash equivalents	\$ 443,789	\$ 34,778
Other assets	<u>-</u>	<u>5,556</u>
Total Assets	<u>443,789</u>	<u>40,334</u>
LIABILITIES		
CURRENT:		
Planning board deposits	-	36,823
Other liabilities	<u>-</u>	<u>3,511</u>
Total Liabilities	<u>-</u>	<u>40,334</u>
NET ASSETS		
Held in trust for private purposes	<u>443,789</u>	<u>-</u>
Net Assets	<u><u>\$ 443,789</u></u>	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF WINCHENDON, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2010**

	<u>Private Purpose Trust Funds</u>
ADDITIONS	
Investment income	<u>\$ 15,732</u>
Total Additions	<u>15,732</u>
 DEDUCTIONS	
Education - scholarships	13,150
Health and human services - public assistance	650
Transfers out	<u>2,000</u>
Total Deductions	<u>15,800</u>
 CHANGE IN NET ASSETS	 (68)
 NET ASSETS AT BEGINNING OF YEAR	 <u>443,857</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 443,789</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF WINCHENDON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2010

I. Summary of Significant Accounting Policies

The basic financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for state and local government entities. The following is a summary of the more significant policies and practices used by the Town:

A. Reporting Entity – The Town is located in Worcester County and bordered by the State of New Hampshire on its northern side. It encompasses approximately 44 square miles and was established as a Town in 1764. The Town is governed by an elected five-member Board of Selectmen with an appointed Town Manager. The Board members serve three-year terms. The Town provides governmental services for the territory within its boundaries, including police and fire protection, public education in grades K-12, water and sewer services, street maintenance, parks and recreational facilities.

B. Individual Component Unit Disclosures – Component units, while separate entities, are in substance part of the governmental operations of the Town due to the significance of their operations and financial relationship with the Town. The Town is financially accountable, and is able to impose its will on component units. The Town appoints a voting majority of the component units governing body and there is the potential for the component unit to provide specific financial benefits or to impose specific financial burdens on the Town.

The Winchendon Redevelopment Authority (“WRA”) meets the criteria for inclusion in these financial statements as a component unit. The WRA was organized under state law with the authority to administer the Town’s redevelopment activities. The WRA is managed by a five member board, of which four members are appointed by the Town Manager without restriction. The fifth member is appointed by the Governor of the Commonwealth upon recommendation of the Town Manager. A stand alone report has not been issued for the WRA as of June 30, 2010.

C. 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 non-fiduciary activities of the primary government and its component units if any. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legal component units, if any for which the primary government is financially accountable. 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 or 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 government-wide financial statements. Major individual Governmental Funds are reported as separate columns in the fund financial statements.

- D. 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 proprietary funds 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 government considers property tax revenues, if material, to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However expenditures related to debt service, compensated absences, claims and judgments, and risk financing, are recorded only when payment is due. Interest income associated with the current fiscal period is considered being susceptible to accrual and so has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major Governmental Funds:

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.

Stabilization Fund – is used to account for certain unencumbered accumulated financial resources that are subject to appropriation as directed by the Town’s Legislative branch. These funds are typically used for nonrecurring expenditures, usually capital in nature or unexpected items that may arise.

Infrastructure Investment Fund – is used to account for certain accumulated financial resources that are held for the specific purpose of funding future debt service that was issued to fund the landfill cap and post-closure monitoring costs.

The *Nonmajor Governmental Funds* consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the Nonmajor Governmental Funds column on the Governmental Funds financial statements. The following describes the general use of these fund types:

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The Permanent Funds are used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

The government reports the following major proprietary funds:

Enterprise Fund – uses the “economic resources” measurement focus to account for the following specific operations in a manner similar to private business enterprises:

Sewer – accounts for user charges collected to finance costs associated with maintaining the related infrastructure within the Town boundaries by which the sewer activities are processed.

Water – accounts for user charges collected to finance costs associated with maintaining the related infrastructure within the Town boundaries by which the water activities are processed.

Transfer Station – accounts for user charges collected to finance costs associated with operating facilities for the disposal of household waste and recycling.

Internal Service Fund – is used to account for the Town’s self-insured health insurance related activities.

Additionally, the government reports the following fund types:

Private-Purpose Trust Fund – is used to account for resources legally held in trust for use in funding scholarships and energy support for qualified citizens. There is a requirement that a portion of these resources be preserved as capital.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are 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 the GASB. As a general rule the *effect* of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the Town’s water and sewer function 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 *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s

principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources, as they are needed.

E. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in obligations of the United States Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool. Investments for the Town, the Retirement System, and its component units are reported at fair value. The State Treasurer's Investment Pool operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. 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*.

Receivables – All property tax and trade receivables are shown net of an allowance for doubtful collections comprised of those outstanding amounts, which are deemed potentially uncollectible. Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes to the statutory rate per annum. The Town is allowed to take delinquent tax accounts into tax title fourteen days subsequent to the mailing of demand of delinquent taxes.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets – Certain cash and investment balances are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by the provisions of certain trust documents.

Other Assets – Other assets of the WRA, a discretely presented component unit, include land held for redevelopment purposes and are reported in the government-wide financial statements.

Capital Assets – Capital assets include property, plant, and equipment and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	40-50
Buildings and improvements	40
Equipment, furniture, fixtures and vehicles	5-10

Compensated Absences – It is the Town’s policy to permit employees to accumulate earned but unused vacation benefits. Amounts related to sick-pay benefits are carried forward from year to year, but only vest as buy-back for certain individuals in the police department. A liability for these amounts is reported in Governmental Funds only if they have matured.

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. Bond anticipation notes 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 a debt issuance are reported as other financing sources while discounts as other financing uses. Issuance costs are exclusively reported as debt service expenditures regardless of whether they are withheld from the actual proceeds.

Risk Financing – The Town does not insure for workers' compensation, health, or unemployment benefits. The Town does insure for casualty, theft, or other losses. Uninsured losses are recorded as expenditures when incurred. Amounts determined to be incurred but not reported are reflected as liabilities of the government activities in the Government-Wide Statement of Net Assets, and in an Internal Service Fund in the Proprietary funds.

Encumbrances – Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as a significant aspect of budgetary control in the Governmental Fund types. Encumbrances outstanding at year-end are reported as reservations of fund balances, since they do not constitute expenditures or liabilities.

Fund Equity – In the fund financial statements, Governmental Funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

II. Stewardship, Compliance and Accountability

- A. Budgetary Information** - An annual budget is legally adopted for the General Fund and the Enterprise Fund. The budget is initiated by department heads and then prepared by the Town Manager prior to being submitted to the Finance Committee for recommendation. It is then presented to Town Meeting for final approval, annually in May. Expenditures may legally exceed appropriations at the department level. Department heads may transfer, without Town Meeting approval, appropriation balances from one expenditure account to another within their department or budget. The Town Meeting and the department head however must approve any transfer of unencumbered appropriation balances between departments or agencies. At the close of each fiscal year, unencumbered appropriation balances lapse or revert to unreserved fund balance. The Town made several minor (less than 1%) supplemental budgetary appropriations throughout the year. The majority of these were to supplement the Town's individual appropriations.
- B. Excess of Expenditures Over Appropriations and Deficits** – During the fiscal year ended June 30, 2010, expenditures exceeded appropriations for state and county assessments and certain special revenue accounts. The over-expenditures are expected to be funded through available funds and future intergovernmental revenues.
- C. Deficit Fund Equity** – The Transfer Station enterprise fund had a deficit fund balance of \$17,664 that is expected to be funded through future user fees.

III. Detailed Notes to All Funds

A. Deposits and Investments

Deposits of the Town (excluding component units) – Cash and cash equivalents include cash on hand, demand deposits, short-term investments and certificates of deposit with maturities of three months or less. Investments include investments in U.S. governmental agency bonds. The Town maintains a separate cash account for all funds.

GAAP requires disclosure for any investment securities that are uninsured, are not registered in the name of the government, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name. The Town does not maintain any investments subject to these classifications.

In addition, GAAP requires the following disclosures relative to deposits and investments:

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

Credit risk. The Town follows State statutes requiring the Town to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and state treasurer investment pools. In addition, the statutes impose various limitations on the amount and length of investments and deposits. Certain other investment options are available to funds maintained within the permanent funds.

During the fiscal year, the Town invested its funds into bank deposits, money market accounts, certificates of deposit, the State Treasurer's investment pool, mutual funds, corporate equities, corporate fixed income securities, and U.S. government obligations.

In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety (90) days, and the underlying security must be a U.S. government obligation.

Concentration of credit risk. The Town does not maintain balances in any single investment that would represent more than 5% of the Town's total cash, cash equivalents and investments.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. At June 30, 2010, the carrying amount of the Town's deposits was \$4,711,789 and the bank balance was \$4,929,736. Of the bank balance, \$2,044,498 was covered by either federal depository insurance or by depositors' insurance programs. The remainder was uninsured and uncollateralized.

Custodial credit risk – investments. This is the risk that in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. A majority of the investments of the Town have custodial credit risk exposure because they are uninsured, unregistered and/or held by the Town's brokerage firm, which is also the Counterparty to these securities.

As of June 30, 2010, the Town (excluding component units) had the following investments:

Investments	Fair Value	Maturity in Years			
		<1 Year	1 - 5 Years	6 - 10 Years	>10 Years
U.S. Government obligations	\$ 3,313,750	\$ -	\$ 1,568,033	\$ 1,745,717	\$ -
Corporate bonds	636,135		\$ 636,135		
Certificates of Deposit	1,199,099	734,066	465,033	-	-
Total investments with maturities	5,148,984	\$ 734,066	\$ 2,669,201	\$ 1,745,717	\$ -
<u>Other investments:</u>					
Mutual funds	156,008				
State Treasurer's investment pool	18,535				
Money market mutual fund	569,667				
Total Investments	\$ 5,893,194				
Cash deposits held	\$ 4,711,789				

Following is a reconciliation of investments and cash and equivalents as summarized above to the balance as recorded in the combined balance sheet:

	Investments	Cash and Cash Equivalents
As presented above	\$ 5,893,194	\$ 4,711,789
Reclass: Short-term investments reported in the combined balance sheet as cash and short-term investments; as follows:		
Certificates of deposit	(734,066)	734,066
Money market mutual funds	(569,667)	569,667
State Treasurer's investment pool	(18,535)	18,535
Totals	\$ 4,570,926	\$ 6,034,057

As of June 30, 2010, the credit quality ratings of the Town's debt securities were as follows:

Quality Ratings	Investment Type			
	U.S. Government Obligations	Corporate Bonds	Certificates of Deposit	Fair Value
AAA	\$ 3,277,735	\$ -	\$ -	\$ 3,277,735
AA+	-	380,786	-	380,786
A+	-	-	96,193	96,193
A	-	210,224	-	210,224
BB+	-	45,125	-	45,125
Unrated	36,015	-	1,102,906	1,138,921
Totals	\$ 3,313,750	\$ 636,135	\$ 1,199,099	\$ 5,148,984

Deposits of the WRA – State and local statutes place certain limitations on the nature of deposits and investments available to the WRA.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the WRA’s deposits may not be returned to it. The WRA does not have a deposit policy for custodial credit risk. At June 30, 2010, the carrying amount of the WRA’s deposits was \$37,790 and the bank balance of \$38,975 was covered by federal depository insurance.

B. Receivables

Presentation Breakdown –

Receivables as of year-end for the individual major governmental and nonmajor funds are as follows:

Property taxes	\$ 852,484
Tax liens and possessions	987,972
Excise	277,726
Departmental	189,290
Loans – Title V	63,851
Intergovernmental	<u>4,073,607</u>
Gross receivables	6,444,930
Allowance for Uncollectible accounts	<u>(81,720)</u>
Net receivables	<u>\$ 6,363,210</u>

Receivables of enterprise funds consisted of:

User Charges:	
Water	\$ 361,851
Sewer	423,826
Betterments:	
Sewer	5,092,422
Intergovernmental:	
Water	463,910
Sewer	<u>2,237,456</u>
Gross receivables	8,579,465
Allowance for Uncollectible accounts	<u>(-)</u>
Net receivables	<u>\$ 8,579,465</u>

Receivables of the WRA discretely presented component unit consisted of two notes, totaling \$33,300, which the WRA will receive over the next four years and are secured by first mortgages.

Governmental Funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. 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, deferred revenue reported in the Governmental Funds amounted to \$5,779,283.

Massachusetts School Building Authority Assistance Reimbursement – As of June 30, 2010, the Town expects to receive as the balance of grants from the Commonwealth of Massachusetts \$2,678,445 applicable to approved school construction costs which includes both principal and interest. Such costs will be reimbursed to the Town in equal annual installments over the balance of the life of the related bonds, and are subject to approval by the State Legislature. The principal portion, \$2,385,357 of this amount is included in the Governmental Funds.

MWPAT Loan Subsidies – The Town has entered into numerous loan agreements with the Massachusetts Water Pollution Abatement Trust (MWPAT). It is expected that the Town will be subsidized by MWPAT on a periodic basis for principal in the amount of \$2,892,825 and interest in the amount of \$2,588,819 until the maturity of these agreements. GAAP requires the recognition of gross debt relative to these agreements; therefore, the principal amounts of \$191,459, \$463,910 and \$2,237,456 are reported as receivables in the General Fund, Water Enterprise Fund and Sewer Enterprise Fund respectively.

Unapportioned Betterments – The Town reflects receivables of \$4,975,746 in its Sewer Enterprise Fund that represents amounts anticipated to be billed in the future for sewer betterments that the Town has funded through bond issuances.

C. Interfund Receivables, Payables and Transfers – Net interfund transfers during the year were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 160,101	\$ 223,044
Major – Stabilization	5,555	-
Major – Infrastructure	-	80,000
Nonmajor Governmental	-	78,101
Water	4,700	-
Sewer	212,789	-
Private Purpose Trust Fund	-	2,000
Totals	<u>\$ 383,145</u>	<u>\$ 383,145</u>

Transfers were made to supplement the operating budget.

D. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Governmental Activities:</u></i>				
Capital assets not being depreciated:				
Land	\$ 1,982,304	\$ -	\$ -	\$ 1,982,304
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>1,982,304</u>	<u>-</u>	<u>-</u>	<u>1,982,304</u>
Capital assets being depreciated:				
Buildings and improvements	27,217,422	40,174	-	27,257,596
Infrastructure	3,027,813	338,440	-	3,366,253
Machinery, equipment and vehicles	9,742,084	142,605	(163,248)	9,721,441
Total capital assets being depreciated	<u>39,987,319</u>	<u>521,219</u>	<u>(163,248)</u>	<u>40,345,290</u>
Less accumulated depreciation for:				
Buildings and improvements	(12,246,068)	(712,991)	-	(12,959,059)
Infrastructure	(270,189)	(111,452)	-	(381,641)
Machinery, equipment and vehicles	(7,572,853)	(379,089)	163,248	(7,788,694)
Total accumulated depreciation	<u>(20,089,110)</u>	<u>(1,203,532)</u>	<u>163,248</u>	<u>(21,129,394)</u>
Total capital assets being depreciated, net	<u>19,898,209</u>	<u>(682,313)</u>	<u>-</u>	<u>19,215,896</u>
Governmental activities capital assets, net	<u>\$ 21,880,513</u>	<u>\$ (682,313)</u>	<u>\$ -</u>	<u>\$ 21,198,200</u>
<i><u>Business Activities:</u></i>				
Capital assets not being depreciated:				
Land	\$ 26,735	\$ -	\$ -	\$ 26,735
Construction in process	-	416,633	-	416,633
Total capital assets not being depreciated	<u>26,735</u>	<u>416,633</u>	<u>-</u>	<u>443,368</u>
Capital assets being depreciated:				
Buildings and improvements	2,532,440	-	-	2,532,440
Infrastructure	18,512,519	-	-	18,512,519
Machinery, equipment and vehicles	184,205	302,894	-	487,099
Total capital assets being depreciated	<u>21,229,164</u>	<u>302,894</u>	<u>-</u>	<u>21,532,058</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,051,653)	(58,026)	-	(1,109,679)
Infrastructure	(3,125,423)	(372,884)	-	(3,498,307)
Machinery, equipment and vehicles	(122,814)	(20,567)	-	(143,381)
Total accumulated depreciation	<u>(4,299,890)</u>	<u>(451,477)</u>	<u>-</u>	<u>(4,751,367)</u>
Total capital assets being depreciated, net	<u>16,929,274</u>	<u>(148,583)</u>	<u>-</u>	<u>16,780,691</u>
Business activities capital assets, net	<u>\$ 16,956,009</u>	<u>\$ 268,050</u>	<u>\$ -</u>	<u>\$ 17,224,059</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities - Water:</u>				
Capital assets not being depreciated:				
Land	\$ 16,385	\$ -	\$ -	\$ 16,385
Construction in process	-	416,633	-	416,633
Total capital assets not being depreciated	16,385	416,633	-	433,018
Capital assets being depreciated:				
Buildings and improvements	2,210,726	-	-	2,210,726
Infrastructure	4,143,849	-	-	4,143,849
Machinery, equipment and vehicles	131,106	302,894	-	434,000
Total capital assets being depreciated	6,485,681	302,894	-	6,788,575
Less accumulated depreciation for:				
Buildings and improvements	(965,863)	(47,302)	-	(1,013,165)
Infrastructure	(788,056)	(79,746)	-	(867,802)
Machinery, equipment and vehicles	(92,447)	(16,857)	-	(109,304)
Total accumulated depreciation	(1,846,366)	(143,905)	-	(1,990,271)
Total capital assets being depreciated, net	4,639,315	158,989	-	4,798,304
Water activities capital assets, net	\$ 4,655,700	\$ 575,622	\$ -	\$ 5,231,322
<u>Business-Type Activities - Sewer:</u>				
Capital assets not being depreciated:				
Land	\$ 10,350	\$ -	\$ -	\$ 10,350
Total capital assets not being depreciated	10,350	-	-	10,350
Capital assets being depreciated:				
Buildings and improvements	321,714	-	-	321,714
Infrastructure	14,368,670	-	-	14,368,670
Machinery, equipment and vehicles	53,099	-	-	53,099
Total capital assets being depreciated	14,743,483	-	-	14,743,483
Less accumulated depreciation for:				
Buildings and improvements	(85,790)	(10,724)	-	(96,514)
Infrastructure	(2,337,367)	(293,138)	-	(2,630,505)
Machinery, equipment and vehicles	(30,367)	(3,710)	-	(34,077)
Total accumulated depreciation	(2,453,524)	(307,572)	-	(2,761,096)
Total capital assets being depreciated, net	12,289,959	(307,572)	-	11,982,387
Sewer activities capital assets, net	\$ 12,300,309	\$ (307,572)	\$ -	\$ 11,992,737
<u>Business-Type Activities - All:</u>				
Business-type activities capital assets, net	\$ 16,956,009	\$ 268,050	\$ -	\$ 17,224,059

For the year ended June 30, 2010, depreciation expense was charged to functions/programs as follows:

<u>Governmental Activities:</u>		<u>Business-Type Activities:</u>	
General government	\$ 96,056	Water	\$ 143,905
Public safety	96,018	Sewer	307,572
Education	768,560	Total Business-Type Activities	\$ 451,477
Public works	145,977		
Health and human services	55,993		
Culture and recreation	40,928		
Total Governmental Activities	\$ 1,203,532		

E. Temporary Debt

The Town (excluding component units) is authorized to borrow on a temporary basis to fund the following:

Current Operating Costs – Prior to the collection of revenues, expenditures may be financed through the issuance of tax anticipation notes (TANS).

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (BANS) or state aid anticipation notes (SAANS). In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

Temporary notes are general obligations of the Town and carry maturity dates not in excess of one year and are interest bearing and will be paid through future issuance of general obligation bonds.

<u>Type</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2010</u>
BAN	2.15%	04/14/10	\$ 290,000	\$ –	\$(290,000)	\$ –
SAAN	1.84%	11/27/09	339,480	–	(339,480)	–
BAN	1.20%	04/14/11	–	366,000	–	366,000
BAN	1.10%	12/29/10	–	800,000	–	800,000
			<u>\$ 629,480</u>	<u>\$ 1,166,000</u>	<u>\$(629,480)</u>	<u>\$ 1,166,000</u>

Temporary Loan – WRA

On August 10, 2010, the WRA entered into a temporary loan agreement with a commercial bank in the amount of \$255,000. The loan matures on August 10, 2011 with monthly interest payable at a variable rate of no less than 4.5%. The interest rate is determined by adding 0.5% to the current Wall Street Journal Prime Rate.

F. Long-Term Obligations

The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes have been issued for both governmental and business-type activities. Additionally, the Town incurs various other long-term obligations relative to associated personnel costs.

Legal Debt Margin – State law permits a Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of 5% of its equalized valuation. Debt issued in accordance with this section of the law is designated as being “inside the debt limit.” In addition, a Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being “outside the debt limit.” The Town’s legal debt margin as of June 30, 2010 was approximately \$29 million based on an equalized valuation of approximately \$761 million.

The following is a summary of outstanding long-term debt obligations for the year ended June 30, 2010:

Description of Issue	Interest Rate	Beginning Balance	Additions	Maturities	Ending Balance
<u>Governmental Activities:</u>					
General obligation bonds	3.125 - 6.50%	\$ 5,920,000	\$ -	\$ (1,660,000)	\$ 4,260,000
State house notes	4.70%	196,586	-	(155,586)	41,000
Massachusetts Water Pollution Abatement Trust notes	1.50 - 2.0%	782,351	-	(61,600)	720,751
Total Governmental Activities		<u>\$ 6,898,937</u>	<u>\$ -</u>	<u>\$ (1,877,186)</u>	<u>\$ 5,021,751</u>
<u>Business-type Activities - Water</u>					
State house notes	4.70%	\$ 100,000	\$ -	\$ (50,000)	\$ 50,000
Massachusetts Water Pollution Abatement Trust notes	1.50 - 2.0%	1,868,163	-	(142,763)	1,725,400
Total Water		<u>1,968,163</u>	<u>-</u>	<u>(192,763)</u>	<u>1,775,400</u>
<u>Business-type Activities - Sewer</u>					
USDA bond notes	4.75%	159,353	-	(8,729)	150,624
Massachusetts Water Pollution Abatement Trust notes	1.50 - 2.0%	10,140,760	-	(582,230)	9,558,530
Total Sewer		<u>10,300,113</u>	<u>-</u>	<u>(590,959)</u>	<u>9,709,154</u>
Total Business-type Activities		<u>\$ 12,268,276</u>	<u>\$ -</u>	<u>\$ (783,722)</u>	<u>\$11,484,554</u>
Total Bond and Note Debt					<u>\$ 16,506,305</u>

During the year ended June 30, 2010, the following reflects the activity in the long-term liability accounts:

	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
<u>Governmental Activities:</u>					
Bond and note debt	\$ 6,898,937	\$ -	\$ (1,877,186)	\$ 5,021,751	\$ 1,798,809
Capital lease obligations	91,213	-	(91,213)	-	-
Compensated absences	1,183,051	216,168	(286,679)	1,112,540	252,069
Landfill monitoring	594,000	-	(27,000)	567,000	27,000
Other post employment benefits	1,741,457	2,237,615	(495,323)	3,483,749	-
Total Governmental Activities	<u>\$10,508,658</u>	<u>\$ 2,453,783</u>	<u>\$ (2,777,401)</u>	<u>\$ 10,185,040</u>	<u>\$ 2,077,878</u>
<u>Business-type Activities: Water</u>					
Bond and note debt	\$ 1,968,163	\$ -	\$ (192,763)	\$ 1,775,400	\$ 199,493
Total Business-type Activities: Water	<u>1,968,163</u>	<u>-</u>	<u>(192,763)</u>	<u>1,775,400</u>	<u>199,493</u>
<u>Business-type Activities: Sewer</u>					
Bond and note debt	10,300,113	-	(590,959)	9,709,154	\$ 601,585
Other post employment benefits	-	38,737	(4,582)	34,155	-
Total Business-type Activities: Sewer	<u>10,300,113</u>	<u>38,737</u>	<u>(595,541)</u>	<u>9,743,309</u>	<u>601,585</u>
<u>Business-type Activities: Transfer Station</u>					
Compensated absences	-	8,042	-	8,042	\$ 2,955
Other post employment benefits	-	25,823	(3,054)	22,769	-
Total Business-type Activities: Transfer Station	<u>-</u>	<u>33,865</u>	<u>(3,054)</u>	<u>30,811</u>	<u>2,955</u>
Total Business-type Activities: All	<u>\$12,268,276</u>	<u>\$ 72,602</u>	<u>\$ (791,358)</u>	<u>\$ 11,549,520</u>	<u>\$ 804,033</u>
Total Long-term Obligations	<u>\$22,776,934</u>	<u>\$ 2,526,385</u>	<u>\$ (3,568,759)</u>	<u>\$ 21,734,560</u>	<u>\$ 2,881,911</u>

Future Debt Payoff - Payments on general long-term debt obligation bonds and notes due in future years consist of the following:

Bonded Debt (Governmental Activities)

Year Ending June 30,	Principal			Interest			Total
	Gross	Subsidy	Net	Gross	Subsidy	Net	
2011	\$ 1,798,809	\$ (18,785)	\$ 1,780,024	\$ 202,252	\$ (22,509)	\$ 179,743	\$ 1,959,767
2012	1,717,809	(19,101)	1,698,708	132,997	(21,374)	111,623	1,810,331
2013	472,810	(18,031)	454,779	63,219	(21,072)	42,147	496,926
2014	322,809	(18,713)	304,096	42,961	(18,905)	24,056	328,152
2015	322,809	(18,492)	304,317	21,969	(16,486)	5,483	309,800
2016 - 2020	379,046	(98,337)	280,709	50,906	(43,941)	6,965	287,674
2021	7,659	-	7,659	201	(201)	-	7,659
Totals	<u>\$ 5,021,751</u>	<u>\$ (191,459)</u>	<u>\$ 4,830,292</u>	<u>\$ 514,505</u>	<u>\$ (144,488)</u>	<u>\$ 370,017</u>	<u>\$ 5,200,309</u>

Bonded Debt (Business-Type Activities - Water)

Year Ending June 30,	Principal			Interest			Total
	Gross	Subsidy	Net	Gross	Subsidy	Net	
2011	\$ 199,493	\$ (43,243)	\$ 156,250	\$ 79,791	\$ (47,211)	\$ 32,580	\$ 188,830
2012	149,901	(40,325)	109,576	77,101	(50,565)	26,536	136,112
2013	154,759	(40,129)	114,630	71,173	(48,447)	22,726	137,356
2014	163,922	(43,334)	120,588	63,339	(42,109)	21,230	141,818
2015	168,435	(45,323)	123,112	51,502	(35,180)	16,322	139,434
2016 - 2020	938,890	(251,556)	687,334	117,362	(95,596)	21,766	709,100
Totals	<u>\$ 1,775,400</u>	<u>\$ (463,910)</u>	<u>\$ 1,311,490</u>	<u>\$ 460,268</u>	<u>\$ (319,108)</u>	<u>\$ 141,160</u>	<u>\$ 1,452,650</u>

Bonded Debt (Business-Type Activities - Sewer)

Year Ending June 30,	Principal			Interest			Total
	Gross	Subsidy	Net	Gross	Subsidy	Net	
2011	\$ 601,585	\$ (105,834)	\$ 495,751	\$ 432,471	\$ (309,848)	\$ 122,623	\$ 618,374
2012	617,341	(112,078)	505,263	405,687	(291,727)	113,960	619,223
2013	635,604	(122,888)	512,716	380,808	(271,054)	109,754	622,470
2014	653,202	(142,329)	510,873	321,248	(224,757)	96,491	607,364
2015	675,201	(152,584)	522,617	287,102	(200,722)	86,380	608,997
2016 - 2020	3,695,743	(894,829)	2,800,914	961,978	(678,979)	282,999	3,083,913
2021 - 2025	2,778,928	(706,914)	2,072,014	197,445	(148,136)	49,309	2,121,323
2026 - 2030	51,550	-	51,550	7,569	-	7,569	59,119
Totals	<u>\$ 9,709,154</u>	<u>\$ (2,237,456)</u>	<u>\$ 7,471,698</u>	<u>\$ 2,994,308</u>	<u>\$ (2,125,223)</u>	<u>\$ 869,085</u>	<u>\$ 8,340,783</u>

Authorized and Unissued - The following represents authorized and unissued debt as of June 30, 2010:

Project	Amount
<i>Governmental:</i>	
Chapter 90 highway	\$ 348,162
Landfill	293,053
Equipment	505,000
School boilers	300,000
Police station	2,100,000
<i>Business-Type:</i>	
Water	3,200,000
Sewer	1,905,865
Total authorized and unissued	<u>\$ 8,652,080</u>

IV. Other Information

A. Retirement System

System Description – The Town contributes to the Worcester Regional Retirement System (“WRRS” or System”), a multiple-employer defined benefit pension plan established under Chapter 32 of the Commonwealth of Massachusetts General Laws (“MGL”) and is administered by Worcester Regional Retirement Board (the “Board”).

Substantially all employees of the Town participate in the System. The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth’s state law during those years are borne by the Commonwealth and are deposited into the pension fund directly. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts’ Public Employee Retirement Administration Commission (“PERAC”) that includes financial statements and required supplementary information. The report may be obtained by writing to the Board at Worcester Regional Retirement System, 23 Midstate Drive, Suite 106, Auburn, MA 01501.

Funding Policy – Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System for its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. The contributions of plan members and the Town are governed by Chapter 32 of the MGL. The Town’s contributions to the System for the fiscal years ended June 30, 2010, 2009, and 2008 were \$760,064, \$697,288 and \$569,358, respectively. These contributions were equal to the required contribution for each year as set by the Board. Schedules of funding progress and contribution funding are included as required supplementary information.

B. Massachusetts Teachers’ Retirement System

Teachers and certain administrative employees of the School Department participate in a contributory retirement system administered by the Massachusetts Teachers Retirement Board. Contributions to that system totaled \$2,054,871 for the fiscal year and were made entirely by the Commonwealth of Massachusetts, on behalf of the Town, which does not contribute directly to this system.

C. Other Post Employment Benefits (OPEB)

Plan Description – In addition to the pension benefits previously described, the Town provides health and life insurance benefits to current and future retirees, their dependents and beneficiaries (hereinafter referred to as the “Plan”) in accordance with Massachusetts General Law Chapter 32B. Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law, and Town ordinance. All benefits are provided through the Town’s insurance program. The Plan does not issue a stand – alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

The number of participants in the Plan consists of 298 active employees and 86 retired employees for a total of 384.

Funding Policy – The contribution requirements of Plan members and the Town are established and may be amended by the Town. Retirees contribute 50% of the calculated contribution through pension benefit deductions. The remainder of the cost is funded by the Town. The Town pays \$2.15 per month towards life insurance, the retirees pay the remainder. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

Annual OPEB Cost and Net OPEB Obligation – The Town's annual OPEB cost is calculated based on the annual required contribution "ARC" of the employer, an actuarially determined amount that is calculated in accordance with GASB Statement number 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities over a period not to exceed thirty years. The following table reflects the activity regarding the Town's OPEB obligation:

Annual required contribution (ARC)	\$ 2,277,433
Interest on net OPEB obligation	69,658
Adjustment to ARC	<u>(72,914)</u>
Annual OPEB Cost	2,274,177
Contributions made	<u>474,961</u>
Increase in net OPEB obligation	1,799,216
Net OPEB obligation at beginning of year	<u>1,741,457</u>
Net OPEB obligation at end of year	<u>\$ 3,540,673</u>

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

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2010	\$2,274,177	20.9%	\$3,540,673
June 30, 2009	\$2,150,830	19.0%	\$1,741,457

The AOPEBC at June 30, 2010 was charged to the following functional programs: General Government \$120,214; Public Safety \$296,134; Education \$1,686,233; Public Works \$93,031; Health and Human Services \$21,051; and Culture and Recreation \$20,952. In the Business-Type Funds, Sewer and Transfer Station activities were charged \$21,937 and \$14,625, respectively.

Funding Status and Funding Progress – The funded status of the Plan at June 30, 2010 for the most recent actuarial valuation performed as of July 1, 2008, was as follows:

Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age Normal Cost (B)	Unfunded AAL (UAAL) (B – A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
\$ -	\$ 22,969,290	\$ 22,969,290	0.00%	\$ 11,621,276	197.6%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Amounts determined regarding the funded status of the Plan and the ARC of the employer are subject to continual revision as estimates are compared to actual results and past expectations.

Methods and Assumptions – projections of benefits for financial reporting purposes are based on the substantive Plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The significant methods and assumptions as of the latest valuation are as follows:

Valuation date:	July 1, 2008
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Remaining amortization period:	30 years as of July 1, 2008
Interest discount rate:	4.0%
Healthcare/Medical cost trend rate:	11% / 10% respectively, decreasing thereafter

- D. Risk Financing** – The Town is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; natural disasters; and various employee benefits including health, worker’s compensation, and unemployment compensation.

The Town maintains a “reinsured cost reimbursement program” with Blue Cross Blue Shield, (“the Plan”), which covers the group health insurance requirements of a majority of Town employees. The Plan is essentially a self-insurance program, except employee claims in excess of \$60,000, which are reinsured by the Plan. Costs of the Plan are reimbursed 60% Town; 40% employee. Claims incurred but not reported at June 30, 2010 are reflected below.

The Town is a part of a premium-based self-insurance group which insures for worker’s compensation, and general and personal liability, through the Massachusetts Inter-Local Insurance Association (MIIA). The Town essentially transfers its risk through payment of its annual assessment which is adjusted according to the Town’s experience history. Additionally, the Town is entirely self-insured for police and fire employees’ unemployment. Unemployment claims for other Town employees are paid to employees by the Commonwealth of Massachusetts, for which the Town is billed on a monthly basis. All other insurance is carried through conventional carriers.

Activity regarding this for the year ended June 30, 2010 is as follows:

Liability at beginning of year	\$ 379,527
Provision for losses	3,083,328
Payments for claims	<u>(3,013,529)</u>
Liability at end of year	<u>\$ 449,326</u>

The Town is required to maintain a working capital deposit with the Plan. This deposit amounted to \$385,000 at June 30, 2010 and has been presented as a non-current restricted asset under the caption Deposits Held By Third Parties in the Government-Wide Financial Statement of Net Assets and in the General Fund under the Fund-Wide presentation.

E. Commitments and Contingencies – The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2010, cannot be ascertained, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2010.

Grant Compliance – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Arbitrage – The Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The amount of penalties, if any, cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Sewer Treatment Plant Capacity – The Town is under a consent decree from the Department of Environmental Protection, Environmental Protection Agency and U.S. Department of Justice to increase its sewer treatment plant capacity. The total estimated cost of \$15,545,000 represents \$5,500,000 in construction costs and a civil penalty of \$45,000 for failure to respond within required timeframes. In May 1998 and September 2001, the Town authorized borrowing of \$5,000,000 and \$10,500,000 respectively. The Town is currently complying with various interim milestones contained in the decree, and the project is substantially completed.

Safe Water Drinking Act – In a prior year, the Town received a first notice from the Department of Environmental Protection regarding issues to be resolved in order for the Town to comply with the Safe Water Drinking Act. The issues include removal and monitoring of water storage tanks, devices to monitor water leaks, capital project planning, and increased staffing. The cost of compliance cannot be estimated at the current time but will in all likelihood be material to the Town's overall financial statements.

Water Treatment Facility: Operating Agreement – The Ashburnham Winchendon Joint Water Authority has an extended agreement with an outside consultant to operate the water treatment facility until July 31, 2011. The monthly contract amount for these services approximates \$30,000. The Towns of Winchendon and Ashburnham have agreed to share the cost of plant operations based on each Town's actual metered ratio of use. At the time of the original agreement in 2001, this ratio was estimated to be 26% Ashburnham and 74% Winchendon. The actual ratio has subsequently fluctuated with more recent allocations approximating 40% Ashburnham and 60% Winchendon. The Town of Winchendon's cost for the remaining year of the agreement is expected to approximate slightly more than \$200,000. This amount is anticipated to be funded through annual appropriations and user charges.

F. Landfill Closure and Post-Closure Care Costs

The Town's landfill was closed in fiscal year 1999 and a final cover has been installed in accordance with Federal and State laws and regulations. Those laws and regulations also require the Town to perform certain maintenance and monitoring functions ("post-closure care") at the site for thirty (30) years after the landfill cover is installed. The Town presently appropriates

\$27,000 per year for post-closure care costs and has recorded a liability of \$567,000 in the governmental activities fund as result of this activity. Actual cost may be higher due to inflation changes in technology or changes in regulations.

G. Subsequent Events –

The Town did not have subsequent events through the financial statement issue date for events requiring recording or disclosure in the year ended June 30, 2010 financial statements.

V. Implementation of New GASB Pronouncements

In June 2007, the GASB issued GASB No. 51, *Accounting and Financial Reporting for Intangible Assets*, which was effective for the Town beginning on July 1, 2009. The objective of GASB 51 was to establish accounting and financial reporting requirements for intangible assets such as easements, water rights, timber rights, patents, trademarks and computer software, and reduce inconsistencies in current reporting practices, thereby enhancing the comparability of the accounting and reporting of such assets among state and local governments. The adoption of GASB 51 did not have a material impact on the Town's financial position or its results from operations.

In June 2008, the GASB issued GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which was effective for the Town beginning on July 1, 2009. GASB 53 was intended to improve how state and local governments report information about derivative instruments (financial arrangements used by governments to manage specific risks or make investments) in their financial statements. GASB 53 specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements. The adoption of GASB 53 did not have a material impact on the Town's financial position or its results from operations.

In March 2009, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of GASB 54 is to alter the focus to bring greater clarity and consistency to fund balance reporting and terminology used to report fund balance in governmental funds. GASB 54 is effective for periods beginning after June 15, 2010. The Town will adopt GASB 54 for the fiscal year ended June 30, 2011. The Town is currently evaluating whether the adoption of GASB 54 will have a material impact on its financial statements.

In June 2010, the GASB issued GASB Statement No. 59, *Financial Instruments Omnibus*. The objective of GASB 59 is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The provisions of GASB 59 are effective for financial statements for periods beginning after June 15, 2010. The Town does not expect that the adoption of GASB 59 will have a material effect on its financial statements.

VI. Economic Dependence

During the year ended June 30, 2010, approximately 58% of revenues of the general fund were recognized from the Commonwealth of Massachusetts.

TOWN OF WINCHENDON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2010

SCHEDULES OF FUNDING PROGRESS

Pension System - Worcester Regional Retirement System (All Participants)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/2007	\$ 389,758,785	\$ 692,768,325	\$ 303,009,540	56.3%	\$ 211,518,755	143.3%
1/1/2004	\$ 350,879,900	\$ 552,773,549	\$ 201,893,649	63.5%	\$ 170,669,442	118.3%
1/1/2001	\$ 316,389,108	\$ 426,280,953	\$ 109,891,845	74.2%	\$ 145,000,347	75.8%

Other Post Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
7/1/2008	\$ -	\$ 22,969,290	\$ 22,969,290	0.0%	\$ 11,621,276	197.6%

SCHEDULES OF CONTRIBUTION FUNDING

Pension System - Worcester Regional Retirement System

Fiscal Year Ended June 30,	Worcester Regional Retirement System (All Participants)			Town	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contribution	(B / A) Town's Percentage of System Wide Actual Contributions
2010	\$ 28,800,000	\$ 28,800,000	100.0%	\$ 760,064	2.6%
2009	\$ 26,400,000	\$ 26,400,000	100.0%	\$ 697,288	2.6%
2008	\$ 22,997,692	\$ 22,997,692	100.0%	\$ 569,358	2.5%

Other Post Employment Benefits

Year Ended June 30,	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed
2010	\$ 2,274,177	\$ 474,961	20.9%
2009	\$ 2,150,830	\$ 409,373	19.0%

The notes to the financial statements are an integral part of this statement.

TOWN OF WINCHENDON, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual		Actual	Variance
	Original	Final	Budgetary		Budgetary	Favorable
	Budget	Budget	Amounts	Encumbrances	Adjusted	(Unfavorable)
REVENUES						
Real estate and personal property taxes, net	\$ 9,554,384	\$ 9,554,384	\$ 9,476,374	\$ -	\$ 9,476,374	\$ (78,010)
Intergovernmental	13,804,392	13,530,413	13,448,170	-	13,448,170	(82,243)
Motor vehicle and other excises	898,000	898,000	841,414	-	841,414	(56,586)
Licenses and permits	120,000	120,000	136,709	-	136,709	16,709
Departmental and other	441,300	441,300	456,740	-	456,740	15,440
Penalties and interest	167,000	167,000	169,187	-	169,187	2,187
Fines and forfeitures	23,000	23,000	38,344	-	38,344	15,344
Investment income	32,000	32,000	11,198	-	11,198	(20,802)
Total Revenues	25,040,076	24,766,097	24,578,136	-	24,578,136	(187,961)
EXPENDITURES						
General government	1,383,730	1,291,771	1,214,758	38,064	1,252,822	38,949
Public safety	1,949,336	1,954,068	1,912,177	37,897	1,950,074	3,994
Education	14,526,348	14,304,299	14,217,435	76,915	14,294,350	9,949
Public works	1,104,220	1,260,389	1,242,869	17,520	1,260,389	-
Health and human services	378,826	395,826	391,400	2,323	393,723	2,103
Culture and recreation	157,294	157,294	156,744	-	156,744	550
State and county tax assessments	828,116	828,116	924,202	400	924,602	(96,486)
Pension and other fringe Benefits	2,863,625	2,897,558	2,891,995	5,563	2,897,558	-
Debt service	2,374,408	2,334,408	2,333,167	-	2,333,167	1,241
Total Expenditures	25,565,903	25,423,729	25,284,747	\$ 178,682	25,463,429	(39,700)
OTHER FINANCING SOURCES (USES)						
Transfers in	133,810	160,101	160,101		160,101	-
Transfers out	(5,555)	(5,555)	(5,555)		(5,555)	-
Total Other Financing Sources (Uses)	128,255	154,546	154,546		154,546	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE						
	(397,572)	(503,086)	\$ (552,065)		\$ (730,747)	\$ (227,661)
OTHER BUDGETARY ITEMS:						
Undesignated surplus (free cash)	32,705	144,268				
Overlay	58,500	43,500				
Prior year encumbrances	203,098	203,098				
Miscellaneous other	103,269	112,220				
Total Other Budgetary Items	397,572	503,086				
NET BUDGET						
	\$ -	\$ -				

The notes to the financial statements are an integral part of this statement.

TOWN OF WINCHENDON, MASSACHUSETTS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2010

I. Budgetary Basis of Accounting

An annual budget is legally adopted for the General Fund and the Enterprise Fund. The budget is initiated by department heads and then prepared by the Town Manager prior to being submitted to the Finance Committee for recommendation. It is then presented to Town Meeting for final approval, annually in May. Expenditures may legally exceed appropriations at the department level. Department heads may transfer, without Town Meeting approval, appropriation balances from one expenditure account to another within their department or budget. The Town Meeting and the department head however must approve any transfer of unencumbered appropriation balances between departments or agencies. At the close of each fiscal year, unencumbered appropriation balances lapse or revert to unreserved fund balance. The Town made several minor (less than 1%) supplemental budgetary appropriations throughout the year. The majority of these were to supplement the Town's individual appropriations.

The Town's general fund is prepared on a basis other than GAAP. The "actual" results column of the Schedule of Revenues, Expenditures and Changes in Fund Equity – Budgetary Basis is presented on a budgetary basis to provide a meaningful comparison with the budget. Primary differences include the grossing up of revenues and expenditures to reflect On Behalf Teacher's Retirement paid by the Commonwealth and debt subsidies paid by the MWPAT, as well as the manner in which debt payment have been presented for GAAP verses how the payments have been budgeted. A reconciliation is provided below:

Revenues on a GAAP basis	\$ 26,678,387
Debt service subsidies	(45,380)
On Behalf Teacher's receipts	(2,054,871)
Revenues on a Budgetary basis	<u>\$ 24,578,136</u>
Expenditures on a GAAP basis	\$ 27,167,509
Payment of other funds' debt service	217,489
Debt service subsidies	(45,380)
On Behalf Teacher's expenditures	(2,054,871)
Expenditures on a Budgetary basis	<u>\$ 25,284,747</u>
Transfers on a GAAP basis	\$ 223,044
Payment of other funds' debt service	(17,489)
Transfers on a Budgetary basis	<u>\$ 5,555</u>