

TOWN OF WINCHESTER, MASSACHUSETTS

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

TOWN OF WINCHESTER, MASSACHUSETTS

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Independent Auditors' Report



Certified Public Accountants

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Independent Auditors' Report

To the Honorable Board of Selectmen
Town of Winchester, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Winchester, Massachusetts, as of and for the year ended June 30, 2013 (except for the Winchester Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2012), and the related notes to the financial statements, which collectively comprise the Town of Winchester, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Winchester, Massachusetts, as of June 30, 2013 (except for the Winchester Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2012), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the financial statements, the financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

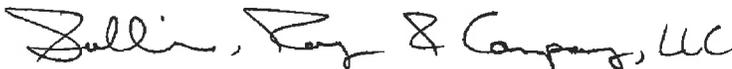
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 4 through 13) and general fund budgetary comparison and certain pension and other postemployment benefits information (located on pages 65 through 70) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2013 on our consideration of the Town of Winchester, Massachusetts' internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Winchester, Massachusetts' internal control over financial reporting and compliance.



December 10, 2013

Management's Discussion and Analysis

As management of the Town of Winchester, Massachusetts (Town), we offer readers of these financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2013.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$141,989,650 (net position). Of this amount, \$3,752,058 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased \$8,804,010.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$7,946,671, or 8.3 percent of total general fund expenditures and transfers out.
- The Town's total outstanding bonded debt decreased \$6,397,545 during the fiscal year. The Town issued no new debt and retired \$6,397,545 of existing debt during the fiscal year.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the *basic financial statements*, which consists of the following three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements.

This report also contains required supplementary information in addition to the basic financial statements.

Government-wide financial statements

The government-wide and enterprise fund financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The **statement of net position** presents information on all of the Town's non-fiduciary assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused vacation leave, etc.).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

Governmental activities include general government, public safety, education, public works, health and human services, culture and recreation and debt service (interest). Business-type activities include the Town's water/sewer operations and recreation activities.

The government-wide financial statements can be found on pages 15-17 of this report.

Fund financial statements

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

1. Governmental funds
2. Proprietary funds
3. Fiduciary funds

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains 497 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, school construction (capital projects) and Wright/Locke Farm purchase (capital projects), funds, each of which are considered to be major funds. Data from the other 494 governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

The basic governmental funds financial statements can be found on pages 18-23 of this report.

Proprietary funds

The Town maintains one type of proprietary fund.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its water/sewer operations and recreation activities.

The basic proprietary fund financial statements can be found on pages 24-26 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The fiduciary funds provide separate information for the Town's pension trust fund. Private-purpose trust funds and agency funds are reported and combined into a single, aggregate presentation in the fiduciary fund financial statements under the captions "private purpose trust funds" and "agency funds", respectively.

The basic fiduciary funds financial statements can be found on pages 27-28 of this report.

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-63 of this report.

Required supplementary information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the budget comparison for the general fund and certain pension and other post employment benefits information, which can be found on pages 65-70.

Government-Wide Financial Analysis

The following tables present current and prior year data on the government-wide financial statements.

Net position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded liabilities by \$141,989,650 at the close of the fiscal year and are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2013	2012*	2013	2012*	2013	2012
Assets						
Current assets.....	\$ 30,407,675	\$ 42,806,498	\$ 4,256,967	\$ 5,087,936	\$ 34,664,642	\$ 47,894,434
Noncurrent assets (excluding capital assets).....	22,859,173	22,771,876	-	-	22,859,173	22,771,876
Capital assets (net).....	175,258,559	158,308,363	18,955,544	18,716,344	194,214,103	177,024,707
Total assets.....	228,525,407	223,886,737	23,212,511	23,804,280	251,737,918	247,691,017
Liabilities						
Current liabilities (excluding debt).....	3,633,172	5,655,227	276,016	247,334	3,909,188	5,902,561
Noncurrent liabilities (excluding debt).....	21,299,850	20,034,036	760,025	700,030	22,059,875	20,734,066
Current debt.....	20,324,680	18,451,845	1,484,865	1,265,700	21,809,545	19,717,545
Noncurrent debt.....	54,623,125	59,679,961	7,346,535	8,471,244	61,969,660	68,151,205
Total liabilities.....	99,880,827	103,821,069	9,867,441	10,684,308	109,748,268	114,505,377
Net Position						
Invested in capital assets (net of related debt).....	117,800,948	108,602,497	11,646,744	10,842,733	129,447,692	119,445,230
Restricted.....	8,789,900	9,298,898	-	-	8,789,900	9,298,898
Unrestricted.....	2,053,732	2,164,273	1,698,326	2,277,239	3,752,058	4,441,512
Total net position.....	\$ 128,644,580	\$ 120,065,668	\$ 13,345,070	\$ 13,119,972	\$ 141,989,650	\$ 133,185,640

* As restated and described in Note 14

The largest portion of the Town's net position (91.2%) reflects its investment in capital assets (e.g., land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles and infrastructure), less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (6.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (2.6% or \$3,752,058) may be used to meet the Town's ongoing obligations to citizens and creditors. Of this amount, \$2,053,732 may be used to support governmental activities and \$1,698,326 may be used to support business-type activities.

At the end of the current fiscal year, the Town reports positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

Changes in Net position

For the fiscal year ended June 30, 2013, the Town's total net position increased \$8,804,010, compared to a decrease of \$3,394,869 in the prior fiscal year. These amounts are summarized as follows:

	Governmental Activities		Business-Type Activities		Total	
	2013	2012*	2013	2012*	2013	2012
Revenues						
<i>Program Revenues:</i>						
Charges for services.....	\$ 7,855,875	\$ 8,191,370	\$ 6,547,857	\$ 6,576,870	\$ 14,403,732	\$ 14,768,240
Operating grants and contributions.....	19,613,967	19,645,834	2,476	68,825	19,616,443	19,714,659
Capital grants and contributions.....	7,947,865	2,612,620	-	52,785	7,947,865	2,665,405
<i>General Revenues:</i>						
Real estate and personal property taxes.....	69,082,649	66,674,190	-	-	69,082,649	66,674,190
Motor vehicle and other excise taxes.....	3,335,096	2,727,710	-	-	3,335,096	2,727,710
Penalties and interest on taxes.....	215,912	170,014	-	-	215,912	170,014
Payments in lieu of taxes.....	123,532	5,364	-	-	123,532	5,364
Grants and contributions not restricted to specific programs.....	1,554,299	1,506,084	-	-	1,554,299	1,506,084
Unrestricted investment income.....	8,162	219,140	-	-	8,162	219,140
Total revenues.....	109,737,357	101,752,326	6,550,333	6,698,480	116,287,690	108,450,806
Expenses						
General government.....	7,524,214	7,478,268	-	-	7,524,214	7,478,268
Public safety.....	12,532,271	12,705,948	-	-	12,532,271	12,705,948
Education.....	63,290,588	65,373,928	-	-	63,290,588	65,373,928
Public works.....	8,361,844	8,990,967	-	-	8,361,844	8,990,967
Health and human services.....	1,300,591	1,260,501	-	-	1,300,591	1,260,501
Culture and recreation.....	2,695,494	2,728,465	-	-	2,695,494	2,728,465
Debt service - interest.....	2,406,652	3,346,255	-	-	2,406,652	3,346,255
Water/Sewer.....	-	-	7,594,160	8,338,877	7,594,160	8,338,877
Recreation.....	-	-	1,777,866	1,677,483	1,777,866	1,677,483
Total expenses.....	98,111,654	101,884,332	9,372,026	10,016,360	107,483,680	111,900,692
Change in net assets before transfers.....	11,625,703	(132,006)	(2,821,693)	(3,317,880)	8,804,010	(3,449,886)
Transfers, net.....	(3,046,791)	(3,553,339)	3,046,791	3,553,339	-	-
Change in net position.....	8,578,912	(3,685,345)	225,098	235,459	8,804,010	(3,449,886)
Net position - beginning of year (as restated).....	120,065,668	123,751,013	13,119,972	12,884,513	133,185,640	136,635,526
Net position - end of year.....	\$ 128,644,580	\$ 120,065,668	\$ 13,345,070	\$ 13,119,972	\$ 141,989,650	\$ 133,185,640

Governmental activities increased the Town's net position by \$8,578,912. In the prior year, governmental activities decreased the Town's net position by \$3,685,345. The key elements of this change are:

- An increase in capital grants and contributions of approximately \$5,300,000
- A decrease in the net change of other post employment benefits (OPEB) liabilities of approximately \$3,000,000. This is a result of the Town's updated OPEB actuarial valuation, which significantly decreased the Town's "Actuarial Accrued Liability" due to decreases in healthcare cost trend rates and the assumed change in the Town's health insurance contribution rate to 50% effective July 1, 2014

Business-type activities increased the Town's net position by \$225,098, which is consistent with the prior year increase of \$235,459.

Fund Financial Statement Analysis

The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements.

At the end of the current fiscal year, the governmental funds reported combined ending fund balances totaling \$15,327,472, a decrease of \$11,969,187 in comparison with the prior year. \$4,244,969 represents a deficit in unassigned fund balance. The primary cause of the deficit in unassigned fund balance is the \$12,020,000 temporary deficit in the Wright/Locke Farm Purchase fund. This fund is in a deficit because the farm purchase has yet to be permanently financed by long-term debt proceeds and/or sale proceeds.

The remainder of fund balance includes the following constraints:

- Nonspendable (\$2,265,582)
- Restricted (\$8,801,927)
- Committed (\$7,785,654)
- Assigned (\$719,278)

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund totaled \$7,946,671, while total fund balance was \$17,342,663. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents 8.3% of total general fund expenditures and transfers out, while total fund balance represents 18.2% of that same amount.

The balance of the Town's general fund increased \$449,778 during fiscal year 2013. The Town recognized a positive budget to actual variance (excluding encumbrances and continuing appropriations) totaling approximately \$3,687,000; and used approximately \$6,235,000 of reserves to fund the fiscal year 2013 budget.

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

The fund balance of the school construction fund (capital projects) decreased \$10,335,667 during the current fiscal year. The fund recognized \$7,201,462 of intergovernmental revenues (\$6,883,968 and \$317,494 related to the Vinson-Owen and Winchester High School projects, respectively). Expenditures totaled \$17,802,653.

The fund balance of the Wright/Locke Farm purchase capital projects fund (major fund) remained unchanged during the current fiscal year. The fund deficit at the end of the year totaled \$12,020,000 and is anticipated to be funded by the sale of the property or the issuance of long-term bonds in a future fiscal year.

Proprietary funds

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

Unrestricted net position of the water/sewer enterprise fund at the end of the year amounted to \$1,957,597. The water/sewer enterprise fund had an increase in net position for the year of \$547,696. Unrestricted net position of the recreation enterprise fund at the end of the year amounted to a deficit of \$259,271. The recreation enterprise fund had a decrease in net position for the year of \$322,598. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

The original general fund budget totaled \$95,251,236. During the year, supplemental appropriations totaling \$1,006,936 were authorized. The following table summarizes the net increase:

Purpose of Increase/(Decrease)	Amount	Funding Source
Debt service.....	\$ 823,833	Transfers from stabilization funds
Snow and ice deficit.....	100,000	Unassigned fund balance
Debt service.....	78,500	Transfers from stabilization funds
Davidson Park rehabilitation.....	75,000	Unassigned fund balance
Workers' compensation and indemnity.....	70,000	Unassigned fund balance
Public safety building.....	50,000	Unassigned fund balance
FICA/Medicare tax.....	50,000	Unassigned fund balance
Recreation enterprise indirect costs.....	27,259	Transfers from Recreation enterprise
Miscellaneous.....	20,968	Unassigned fund balance
Winchester High School feasibility study.....	15,000	Unassigned fund balance
Recreation enterprise indirect costs and subsidy.....	(139,620)	Tax levy (reduction)
Debt service.....	(130,574)	Tax levy (reduction)
Miscellaneous.....	<u>(33,430)</u>	Tax levy (reduction)
 Total net increase.....	 \$ <u>1,006,936</u>	

During the year, revenues and other financing sources and uses exceeded budgetary estimates and expenditures and encumbrances and continuing appropriations were less than budgetary estimates, resulting in a positive budget to actual variance totaling approximately \$1,932,000. Encumbrances and continuing appropriations total approximately \$1,755,000 at year-end.

Capital Assets and Debt Administration

Capital assets

The Town's investment in capital assets for its governmental and business-type activities at the end of the fiscal year totaled \$194,214,103 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles and infrastructure. The total increase in the investment in capital assets for the current fiscal year was \$17,189,396 (9.7%).

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

- Vinson-Owen School construction in progress (approximately \$16,885,000)
- Aberjona River widening in progress (approximately \$906,000)
- Manchester Field improvements in progress (approximately \$720,000)
- Road and sidewalk improvements (approximately \$579,000)
- Water/Sewer infrastructure improvements in progress (approximately \$556,000)

The following table summarizes the Town's capital assets (net of accumulated depreciation):

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2013	2012	2013	2012	2013	2012
Land.....	\$ 60,081,516	\$ 60,081,516	\$ -	\$ -	\$ 60,081,516	\$ 60,081,516
Land improvements.....	2,321,862	2,435,096	1,451,548	1,543,085	3,773,410	3,978,181
Buildings and improvements.....	73,253,593	71,319,986	4,658,770	4,803,660	77,912,363	76,123,646
Machinery and equipment.....	1,912,100	1,358,999	593,594	660,987	2,505,694	2,019,986
Vehicles.....	1,313,434	1,344,169	-	-	1,313,434	1,344,169
Infrastructure.....	8,075,579	8,358,244	10,360,252	9,957,547	18,435,831	18,315,791
Construction in progress.....	28,300,475	13,410,353	1,891,380	1,751,065	30,191,855	15,161,418
Total capital assets.....	\$ 175,258,559	\$ 158,308,363	\$ 18,955,544	\$ 18,716,344	\$ 194,214,103	\$ 177,024,707

Additional information on the Town's capital assets can be found in Note 5 on pages 47-49 of this report.

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$68,151,205, which is backed by the full faith and credit of the Town, and is summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2013	2012*	2013	2012*	2013	2012
General obligation bonds.....	\$ 59,625,739	\$ 64,820,379	\$ 8,174,261	\$ 9,249,621	\$ 67,800,000	\$ 74,070,000
MWRA notes.....	-	-	389,483	554,562	389,483	554,562
MWPAT notes.....	24,037	28,044	-	-	24,037	28,044
Deferred loss on refundings.....	(21,971)	(36,617)	(40,344)	(67,239)	(62,315)	(103,856)
Total bonds and notes.....	\$ 59,627,805	\$ 64,811,806	\$ 8,523,400	\$ 9,736,944	\$ 68,151,205	\$ 74,548,750

* As restated and described in Note 14

The Town's total bonded debt decreased \$6,397,545 (8.6%) during the current fiscal year; no new debt was issued. The Town's bond rating from Moody's Investors Services for the May 2012 bond issuance was Aaa.

Additional information on the Town's long-term debt can be found in Note 9 on pages 52-55 of this report.

Economic Factors and Next Year's Budgets and Rates

The Annual Town Meeting held this past spring approved the fiscal year 2014 Operating Budget of \$99,424,545 which includes the appropriations of the General Fund, appropriations to the Special Article Fund, Building Stabilization Fund, Capital Stabilization Fund, Other Funds and the appropriations of the Waster Sewer and Recreation Enterprise Funds. Town Meeting also approved an appropriation of \$100,000 to the Retiree Trust Fund.

The provisions of Proposition 2 ½ limit the growth of the Town's major source of revenue, property taxes to an annual increase of 2 ½ plus a factor for new construction, unless the voters at an election approve an increase for operating expenses of debt service for a specific project. It is expected that in fiscal year 2014, the revenue collected from taxes will amount to \$71,562,618.

Total fiscal year 2013 General Fund budgetary basis revenue and transfers from other funds was \$92,309,854. Property Taxes accounted for 74.7%, Motor Vehicle Excise 3.4% and Intergovernmental 10.2% of total General Fund revenue. In fiscal year 2014, State Revenue is expected to increase compared to fiscal year 2013. State reimbursements related to School Construction will be \$672,082. Total fiscal year 2013 General Fund budgetary basis expenditures (including encumbrances and continuing appropriations) and transfers to other funds amounted to \$96,612,883.

The Town continues to have substantial balances in its Stabilization Funds. At June 30, 2013, the General/Capital, Building, Capital and Special Education Stabilization Funds had balances of approximately \$4,205,000, \$3,995,000, \$807,000 and \$300,000, respectively..

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Comptroller, 71 Mount Vernon Street, Winchester, Massachusetts 01890.

Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents.....	\$ 18,012,249	\$ 853,030	\$ 18,865,279
Restricted cash and cash equivalents.....	8,193,654	1,522,600	9,716,254
Investments.....	115,680	-	115,680
Receivables, net of allowance for uncollectible amounts:			
Real estate and personal property taxes.....	877,556	-	877,556
Tax and utility liens.....	545,389	94,227	639,616
Motor vehicle and other excise taxes.....	349,845	-	349,845
User charges.....	-	1,825,968	1,825,968
Special assessments.....	78	-	78
Departmental and other.....	372,082	-	372,082
Intergovernmental.....	1,902,284	-	1,902,284
Internal balances.....	38,858	(38,858)	-
Total current assets.....	<u>30,407,675</u>	<u>4,256,967</u>	<u>34,664,642</u>
Noncurrent assets:			
Restricted cash and cash equivalents.....	422,964	-	422,964
Restricted investments.....	4,691,965	-	4,691,965
Receivables, net of allowance for uncollectible amounts:			
Real estate tax deferrals.....	650,098	-	650,098
Special assessments.....	53,302	-	53,302
Intergovernmental.....	3,027,241	-	3,027,241
Tax foreclosures.....	13,603	-	13,603
Assets held for resale.....	14,000,000	-	14,000,000
Capital assets not being depreciated.....	88,381,991	1,891,380	90,273,371
Capital assets, net of accumulated depreciation.....	86,876,568	17,064,164	103,940,732
Total noncurrent assets.....	<u>198,117,732</u>	<u>18,955,544</u>	<u>217,073,276</u>
Total assets.....	<u>228,525,407</u>	<u>23,212,511</u>	<u>251,737,918</u>
LIABILITIES			
Current liabilities:			
Warrants payable.....	731,111	80,492	811,603
Accrued payroll.....	538,558	42,125	580,683
Tax refunds payable.....	550,000	-	550,000
Other liabilities.....	415,552	-	415,552
Accrued interest.....	1,055,416	147,944	1,203,360
Workers' compensation claims.....	184,451	-	184,451
Compensated absences.....	158,084	5,455	163,539
Short-term notes payable.....	15,320,000	308,000	15,628,000
Long-term bonds and notes payable.....	5,004,680	1,176,865	6,181,545
Total current liabilities.....	<u>23,957,852</u>	<u>1,760,881</u>	<u>25,718,733</u>
Noncurrent liabilities:			
Workers' compensation claims.....	56,550	-	56,550
Compensated absences.....	1,422,759	49,091	1,471,850
Net OPEB obligation.....	19,820,541	710,934	20,531,475
Long-term bonds and notes payable.....	54,623,125	7,346,535	61,969,660
Total noncurrent liabilities.....	<u>75,922,975</u>	<u>8,106,560</u>	<u>84,029,535</u>
Total liabilities.....	<u>99,880,827</u>	<u>9,867,441</u>	<u>109,748,268</u>
NET POSITION			
Invested in capital assets, net of related debt.....	117,800,948	11,646,744	129,447,692
Restricted for:			
Other postemployment benefits.....	751,874	-	751,874
Debt service.....	139,186	-	139,186
Permanent funds:			
Expendable.....	2,120,794	-	2,120,794
Nonexpendable.....	2,265,582	-	2,265,582
Other specific purposes.....	3,512,464	-	3,512,464
Unrestricted.....	2,053,732	1,698,326	3,752,058
Total net position.....	<u>\$ 128,644,580</u>	<u>\$ 13,345,070</u>	<u>\$ 141,989,650</u>

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government.....	\$ 7,524,214	\$ 658,094	\$ 174,093	\$ -	\$ (6,692,027)
Public safety.....	12,532,271	2,619,535	214,655	-	(9,698,081)
Education.....	63,290,588	2,587,837	17,943,613	7,201,462	(35,557,676)
Public works.....	8,361,844	1,800,629	425,368	746,403	(5,389,444)
Health and human services.....	1,300,591	148,684	40,482	-	(1,111,425)
Culture and recreation.....	2,695,494	41,096	470,432	-	(2,183,966)
Debt service - interest.....	2,406,652	-	345,324	-	(2,061,328)
Total governmental activities.....	<u>98,111,654</u>	<u>7,855,875</u>	<u>19,613,967</u>	<u>7,947,865</u>	<u>(62,693,947)</u>
Business-type activities:					
Water/Sewer.....	7,594,160	5,011,647	2,051	-	(2,580,462)
Recreation.....	1,777,866	1,536,210	425	-	(241,231)
Total business-type activities.....	<u>9,372,026</u>	<u>6,547,857</u>	<u>2,476</u>	<u>-</u>	<u>(2,821,693)</u>
Total primary government.....	<u>\$ 107,483,680</u>	<u>\$ 14,403,732</u>	<u>\$ 19,616,443</u>	<u>\$ 7,947,865</u>	<u>\$ (65,515,640)</u>

(continued)

STATEMENT OF ACTIVITIES (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net position:			
Net (expense)/revenue (from previous page).....	\$ (62,693,947)	\$ (2,821,693)	\$ (65,515,640)
<i>General revenues:</i>			
Real estate and personal property taxes.....	69,082,649	-	69,082,649
Motor vehicle and other excise taxes.....	3,335,096	-	3,335,096
Penalties and interest on taxes.....	215,912	-	215,912
Payments in lieu of taxes.....	123,532	-	123,532
Grants and contributions not restricted to specific programs.....	1,554,299	-	1,554,299
Unrestricted investment income.....	8,162	-	8,162
<i>Transfers, net</i>	(3,046,791)	3,046,791	-
Total general revenues and transfers.....	71,272,859	3,046,791	74,319,650
Change in net position.....	8,578,912	225,098	8,804,010
Net position - beginning of year (as restated).....	120,065,668	13,119,972	133,185,640
Net position - end of year.....	\$ 128,644,580	\$ 13,345,070	\$ 141,989,650

See notes to basic financial statements.

(concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2013

ASSETS	General	School Construction	Wright/Locke Farm Purchase
Cash and cash equivalents.....	\$ 18,012,249	\$ -	\$ -
Investments.....	115,680	-	-
Receivables, net of allowance for uncollectible amounts:			
Real estate and personal property taxes.....	877,556	-	-
Real estate tax deferrals.....	650,098	-	-
Tax liens.....	545,389	-	-
Motor vehicle and other excise taxes.....	349,845	-	-
Special assessments.....	53,381	-	-
Departmental and other.....	248,853	-	-
Intergovernmental.....	3,469,292	842,205	-
Due from other funds.....	38,858	-	-
Tax foreclosures.....	13,603	-	-
Restricted assets:			
Cash and cash equivalents.....	143,564	4,010,734	-
Investments.....	747,496	-	-
TOTAL ASSETS.....	\$ 25,265,864	\$ 4,852,939	\$ -
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Warrants payable.....	\$ 448,512	\$ 124,909	\$ -
Accrued payroll.....	511,902	-	-
Tax refunds payable.....	550,000	-	-
Other liabilities.....	151,860	-	-
Deferred revenue.....	5,852,588	-	-
Accrued short-term interest.....	167,338	-	-
Workers' compensation claims.....	241,001	-	-
Short-term notes payable.....	-	3,300,000	12,020,000
TOTAL LIABILITIES.....	7,923,201	3,424,909	12,020,000
FUND BALANCES:			
Nonspendable.....	-	-	-
Restricted.....	891,060	1,428,030	-
Committed.....	7,785,654	-	-
Assigned.....	719,278	-	-
Unassigned.....	7,946,671	-	(12,020,000)
TOTAL FUND BALANCES.....	17,342,663	1,428,030	(12,020,000)
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 25,265,864	\$ 4,852,939	\$ -

See notes to basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 18,012,249
-	115,680
-	877,556
-	650,098
-	545,389
-	349,845
-	53,381
123,229	372,082
618,028	4,929,525
-	38,858
-	13,603
4,462,321	8,616,619
3,944,469	4,691,965
<u>\$ 9,148,047</u>	<u>\$ 39,266,850</u>

\$ 157,691	\$ 731,112
26,656	538,558
-	550,000
263,692	415,552
123,229	5,975,817
-	167,338
-	241,001
-	15,320,000
<u>571,268</u>	<u>23,939,378</u>
2,265,582	2,265,582
6,482,837	8,801,927
-	7,785,654
-	719,278
<u>(171,640)</u>	<u>(4,244,969)</u>
<u>8,576,779</u>	<u>15,327,472</u>
<u>\$ 9,148,047</u>	<u>\$ 39,266,850</u>

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General	School Construction	Wright/Locke Farm Purchase
REVENUES			
Real estate and personal property taxes.....	\$ 69,108,348	\$ -	\$ -
Motor vehicle and other excise taxes.....	3,109,719	-	-
Payments in lieu of taxes.....	123,532	-	-
Charges for services.....	-	-	-
Trash disposal.....	1,462,756	-	-
Intergovernmental.....	17,412,281	7,201,462	-
Special assessments.....	32,468	-	-
Penalties and interest on taxes.....	215,912	-	-
Licenses and permits.....	1,253,540	-	-
Fines and forfeitures.....	47,116	-	-
Departmental and other.....	1,584,416	-	-
Contributions.....	-	-	-
Investment income.....	87,091	-	-
TOTAL REVENUES.....	94,437,179	7,201,462	-
EXPENDITURES			
Current:			
General government.....	5,976,123	-	-
Public safety.....	8,061,895	-	-
Education.....	37,710,166	17,802,653	-
Public works.....	6,279,912	-	-
Health and human services.....	549,900	-	-
Culture and recreation.....	1,626,664	-	-
Pension benefits.....	11,722,640	-	-
Employee benefits.....	10,754,980	-	-
Property and liability insurance.....	277,797	-	-
State and county charges.....	500,413	-	-
Debt service:			
Principal.....	5,198,647	-	-
Interest.....	2,398,130	-	-
TOTAL EXPENDITURES.....	91,057,267	17,802,653	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	3,379,912	(10,601,191)	-
OTHER FINANCING SOURCES (USES)			
Transfers in.....	1,085,585	265,524	-
Premium from issuance of bonds and notes.....	105,705	-	-
Transfers out.....	(4,121,424)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	(2,930,134)	265,524	-
NET CHANGE IN FUND BALANCES.....	449,778	(10,335,667)	-
FUND BALANCES AT BEGINNING OF YEAR (AS RESTATED).....	16,892,885	11,763,697	(12,020,000)
FUND BALANCES AT END OF YEAR.....	\$ 17,342,663	\$ 1,428,030	\$ (12,020,000)

See notes to basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 69,108,348
-	3,109,719
-	123,532
1,927,647	1,927,647
-	1,462,756
3,465,605	28,079,348
-	32,468
-	215,912
113,281	1,366,821
-	47,116
1,552,522	3,136,938
818,435	818,435
447,838	534,929
<u>8,325,328</u>	<u>109,963,969</u>
927,017	6,903,140
1,050,911	9,112,806
5,594,221	61,107,040
2,215,000	8,494,912
103,499	653,399
241,502	1,868,166
-	11,722,640
-	10,754,980
-	277,797
-	500,413
-	5,198,647
-	2,398,130
<u>10,132,150</u>	<u>118,992,070</u>
<u>(1,806,822)</u>	<u>(9,028,101)</u>
285,281	1,636,390
-	105,705
<u>(561,757)</u>	<u>(4,683,181)</u>
<u>(276,476)</u>	<u>(2,941,086)</u>
(2,083,298)	(11,969,187)
<u>10,660,077</u>	<u>27,296,659</u>
<u>\$ 8,576,779</u>	<u>\$ 15,327,472</u>

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

JUNE 30, 2013

Total governmental fund balances (page 19).....	\$	15,327,472
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....		175,258,559
Assets held for resale in governmental activities are not financial resources and, therefore, are not reported in governmental funds.....		14,000,000
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.....		5,975,817
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.....		(888,079)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds and notes payable, net of deferred losses on refundings.....		(59,627,805)
Compensated absences.....		(1,580,843)
Net OPEB obligation.....		<u>(19,820,541)</u>
Net position of governmental activities (page 15).....	\$	<u><u>128,644,580</u></u>

See notes to basic financial statements.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds (page 21).....	\$ (11,969,187)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period.</p>	
Capital outlays.....	21,027,256
Depreciation.....	(4,045,911)
<p>In the statement of activities, the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, disposals of capital assets are not reported as financial resources. As a result, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed.....</p>	
	(31,149)
<p>Revenues in the statement of activities that do not provide current financial resources are fully deferred in the statement of revenues, expenditures and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>	
	(332,314)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts represent the related activity of the current period.</p>	
Bond maturities.....	5,198,647
Amortization of deferred losses on refundings.....	(14,646)
<p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable.....</p>	
	6,120
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These amounts represent the net changes:</p>	
Compensated absences.....	(4,147)
Net OPEB obligation.....	(1,255,757)
Changes in net position of governmental activities (page 17).....	\$ 8,578,912

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF FUND NET POSITION

JUNE 30, 2013

	Business-Type Activities - Enterprise Funds		
	Water/ Sewer	Recreation (Nonmajor)	Total
ASSETS			
Current assets:			
Cash and cash equivalents.....	\$ 853,030	\$ -	\$ 853,030
Restricted cash and cash equivalents.....	1,522,600	-	1,522,600
Receivables, net of allowance for uncollectible amounts:			
User charges.....	1,825,968	-	1,825,968
Utility liens.....	94,227	-	94,227
Total current assets.....	<u>4,295,825</u>	<u>-</u>	<u>4,295,825</u>
Noncurrent assets:			
Capital assets not being depreciated.....	1,891,380	-	1,891,380
Capital assets, net of accumulated depreciation.....	17,034,319	29,845	17,064,164
Total noncurrent assets.....	<u>18,925,699</u>	<u>29,845</u>	<u>18,955,544</u>
Total assets.....	<u>23,221,524</u>	<u>29,845</u>	<u>23,251,369</u>
LIABILITIES			
Current liabilities:			
Warrants payable.....	54,671	25,821	80,492
Accrued payroll.....	26,265	15,860	42,125
Due to other funds.....	-	38,858	38,858
Accrued interest.....	147,944	-	147,944
Compensated absences.....	5,455	-	5,455
Short-term notes payable.....	308,000	-	308,000
Long-term bonds and notes payable.....	1,176,865	-	1,176,865
Total current liabilities.....	<u>1,719,200</u>	<u>80,539</u>	<u>1,799,739</u>
Noncurrent liabilities:			
Compensated absences.....	49,091	-	49,091
Net OPEB obligation.....	532,202	178,732	710,934
Long-term bonds and notes payable.....	7,346,535	-	7,346,535
Total noncurrent liabilities.....	<u>7,927,828</u>	<u>178,732</u>	<u>8,106,560</u>
Total liabilities.....	<u>9,647,028</u>	<u>259,271</u>	<u>9,906,299</u>
FUND NET POSITION			
Invested in capital assets, net of related debt.....	11,616,899	29,845	11,646,744
Unrestricted.....	1,957,597	(259,271)	1,698,326
Total net position.....	<u>\$ 13,574,496</u>	<u>\$ (229,426)</u>	<u>\$ 13,345,070</u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds		
	Water/ Sewer	Recreation (Nonmajor)	Total
OPERATING REVENUES			
Charges for services.....	\$ 4,987,414	\$ 1,536,210	\$ 6,523,624
Penalties and interest.....	24,233	-	24,233
TOTAL OPERATING REVENUES.....	5,011,647	1,536,210	6,547,857
OPERATING EXPENSES			
Cost of service and administration.....	2,105,978	1,764,944	3,870,922
MWRA assessment.....	4,608,846	-	4,608,846
Depreciation.....	578,420	12,922	591,342
TOTAL OPERATING EXPENSES.....	7,293,244	1,777,866	9,071,110
OPERATING INCOME (LOSS).....	(2,281,597)	(241,656)	(2,523,253)
NONOPERATING REVENUES (EXPENSES)			
Investment income.....	2,051	425	2,476
Interest expense.....	(300,916)	-	(300,916)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	(298,865)	425	(298,440)
INCOME (LOSS) BEFORE TRANSFERS.....	(2,580,462)	(241,231)	(2,821,693)
Transfers in.....	3,916,666	20,182	3,936,848
Transfers out.....	(788,508)	(101,549)	(890,057)
CHANGES IN FUND NET POSITION.....	547,696	(322,598)	225,098
FUND NET POSITION AT BEGINNING OF YEAR (AS RESTATED)...	13,026,800	93,172	13,119,972
FUND NET POSITION AT END OF YEAR.....	\$ 13,574,496	\$ (229,426)	\$ 13,345,070

See notes to basic financial statements.

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds		
	Water/ Sewer	Recreation (Nonmajor)	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users.....	\$ 5,060,686	\$ 1,536,210	\$ 6,596,896
Payments to vendors.....	(5,527,761)	(819,769)	(6,347,530)
Payments to employees.....	(1,110,461)	(922,822)	(2,033,283)
NET CASH FROM OPERATING ACTIVITIES.....	(1,577,536)	(206,381)	(1,783,917)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in.....	3,916,666	20,182	3,936,848
Transfers out.....	(788,508)	(101,549)	(890,057)
Advances from other funds.....		38,858	38,858
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	3,128,158	(42,509)	3,085,649
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from the issuance of bonds and notes.....	308,000	-	308,000
Acquisition and construction of capital assets.....	(836,542)	-	(836,542)
Principal payments on bonds and notes.....	(1,240,439)	-	(1,240,439)
Interest expense.....	(284,299)	-	(284,299)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(2,047,280)	-	(2,047,280)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income.....	2,051	425	2,476
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(494,607)	(248,465)	(743,072)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR, AS RESTATED (Includes \$1,863,333 reported as restricted in the Water/Sewer Enterprise Fund).....	2,870,237	248,465	3,118,702
CASH AND CASH EQUIVALENTS AT END OF YEAR (Includes \$1,522,600 reported as restricted in the Water/Sewer Enterprise Fund).....	\$ 2,375,630	\$ -	\$ 2,375,630
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Operating income (loss).....	\$ (2,281,597)	\$ (241,656)	\$ (2,523,253)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Adjustments not requiring current cash flows:			
Depreciation.....	578,420	12,922	591,342
Net OPEB obligation.....	30,149	24,905	55,054
Adjustments requiring current cash flows:			
Changes in assets and liabilities:			
Utility liens.....	(18,097)	-	(18,097)
User charges.....	67,136	-	67,136
Warrants payable.....	35,559	(4,748)	30,811
Accrued payroll.....	5,403	2,196	7,599
Accrued compensated absences.....	5,491	-	5,491
Total adjustments.....	704,061	35,275	739,336
NET CASH FROM OPERATING ACTIVITIES.....	\$ (1,577,536)	\$ (206,381)	\$ (1,783,917)

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2013

ASSETS	Pension Trust Fund (As of 12/31/12)	Private Purpose Trust Funds	Agency Funds
Cash and cash equivalents.....	\$ 3,063,238	\$ 38,931	\$ 908,899
Investments.....	84,521,373	572,377	-
Interest and dividends.....	221	-	-
Receivables, net of allowance for uncollectible amounts:			
Intergovernmental.....	68,527	-	-
Total assets.....	<u>87,653,359</u>	<u>611,308</u>	<u>908,899</u>
LIABILITIES			
Warrants payable.....	-	-	6,050
Other liabilities.....	-	-	834,539
Liabilities due depositors.....	-	-	68,310
Total liabilities.....	<u>-</u>	<u>-</u>	<u>908,899</u>
NET POSITION			
Restricted for pension benefits and other purposes.....	<u>\$ 87,653,359</u>	<u>\$ 611,308</u>	<u>\$ -</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Pension Trust Fund (As of 12/31/13)</u>	<u>Private Purpose Trust Funds</u>
ADDITIONS		
Contributions:		
Employer.....	\$ 3,777,162	\$ -
Plan members.....	1,695,736	-
Private donations.....	-	100
	<u>5,472,898</u>	<u>100</u>
Net investment income:		
Net appreciation/(depreciation) in fair value of investments.....	7,493,965	51,913
Interest.....	1,237,081	18,002
	<u>8,731,046</u>	<u>69,915</u>
Less investment expense.....	(231,012)	-
	<u>8,500,034</u>	<u>69,915</u>
Intergovernmental.....	138,967	-
Transfers from other systems.....	413,533	-
	<u>14,525,432</u>	<u>70,015</u>
DEDUCTIONS		
Administration.....	86,234	-
Retirement benefits and refunds.....	6,379,556	-
Transfers to other systems.....	249,833	-
Scholarships awarded.....	-	11,293
	<u>6,715,623</u>	<u>11,293</u>
CHANGE IN NET POSITION.....	7,809,809	58,722
NET POSITION AT BEGINNING OF YEAR.....	<u>79,843,550</u>	<u>552,586</u>
NET POSITION AT END OF YEAR.....	<u>\$ 87,653,359</u>	<u>\$ 611,308</u>

See notes to basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. General**

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

B. Reporting Entity

The Town of Winchester, Massachusetts (Town) is a municipal corporation that is governed by an elected Board of Selectmen.

For financial reporting purposes, the basic financial statements include all funds, organizations, agencies, boards, commissions and institutions that are not legally separate from the Town.

The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and/or significance of their relationship with the Town are such that exclusion would cause the Town's basic financial statements to be misleading or incomplete.

The Town has included the Winchester Contributory Retirement System (System) as a component unit (blended) in the reporting entity because of the significance of its operational and financial relationship with the Town. Blended component units are entities that are legally separate from the Town, but are so related that they are, in substance, the same as the Town or entities providing services entirely or almost entirely for the benefit of the Town.

Blended Component Unit

The System was established to provide retirement benefits to Town employees, the Winchester Housing Authority's employees, and their respective beneficiaries. The System is governed by a five-member board comprised of the Town Comptroller (ex-officio), two members elected by the System's participants, a fourth member appointed by the Board of Selectmen and a fifth member appointed by the Retirement Board's members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary funds financial statements.

The System does not issue a separate audited financial statement. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 71 Mount Vernon Street, Winchester, Massachusetts 01890.

Joint Ventures

A joint venture is an organization (resulting from a contractual arrangement) that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain an ongoing financial interest or ongoing financial responsibility. Joint control means that no single participant has the ability to unilaterally control the financial or operating policies of the joint venture.

The Town participates in one joint venture with other municipalities to pool resources and share the costs, risks and rewards of providing goods and services to venture participants directly, or for the benefit of the general public or specified recipients.

Northeast Metropolitan Regional Vocational School District

The Town is indirectly liable for the Northeast Metropolitan Regional Vocational School District's (District) debt and other expenditures and is assessed annually for its share of operating and capital costs. The Town's fiscal year 2013 assessment totaled approximately \$196,000. Separate financial statements may be obtained by writing to the Treasurer of the District at 100 Hemlock Road, Wakefield, Massachusetts 01880.

C. Implementation of New Accounting Principles

For the year ending June 30, 2013, the Town of Winchester implemented the following pronouncements issued by the GASB:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

GASB Statement No. 63 identifies net position as the residual of all other elements presented in a statement of financial position, which amends the net asset reporting requirements of Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and other pronouncements, by renaming net assets to net position.

The implementation of GASB Statement No.'s 60, 61 and 62 had no reporting impact for the Town.

D. Government-Wide and Fund Financial StatementsGovernment-Wide Financial Statements

The government-wide financial statements (statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government and its component units. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are primarily supported by user fees.

Fund Financial Statements

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

Fiduciary funds are reported by fund type.

E. Measurement Focus, Basis of Accounting and Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a specific function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a specific function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

Except for charges between the general fund and enterprise funds, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental funds financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60-days after the end of the fiscal year. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is used to account for and report all financial resources not accounted for and reported in another fund.

The *school construction fund* is a capital projects fund used to account for financial resources to expand and upgrade school facilities.

The *Wright/Locke Farm Purchase fund* is a capital projects fund used to account for financial resources to purchase and subsequently sell the Wright/Locke Farm property (see Note 17).

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:

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs and benefit the government or its citizenry.

Proprietary funds financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary fund is reported:

The *water and sewer enterprise fund* is used to account for water and sewer activities.

The following nonmajor proprietary fund is reported:

The *recreation enterprise fund* is used to account for recreation activities.

Fiduciary funds financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the government's programs.

The following fiduciary fund types are reported:

The *pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefits individuals, private organizations, or other governments.

The *agency fund* is used to account for assets held in a custodial capacity. Such assets consist of bid deposits and payroll withholdings. Agency funds do not present the results of operations or have a measurement focus.

F. Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments are carried at fair value. Fair value is based on quotations from a national securities exchange except for pooled funds, alternative investments and real estate, for which fair value is determined as follows:

Pooled Funds

The fair value of shares in managed investment pools is based on unit value reported by the funds.

Real Estate

The fair value of real estate funds is based on independent third-party appraisals. The investment managers of the funds are responsible for the reported value of those investments. However, the structure, risk profile, return potential and marketability of those investments differ from traditional equity and fixed income investments. Determination of the value of these investments involves subjective judgment because the actual market value can be determined only by negotiation between the parties to a sales transaction. As a result, the estimated values may differ significantly from the values that would have been used had a ready market for the real estate existed, and the differences could be material.

Alternative Investments

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

G. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

Real Estate Taxes, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date.

Real estate tax liens are processed approximately one year after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

Motor Vehicle Excise Taxes

Motor vehicle excise taxes are assessed annually for each vehicle registered in the Town and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles to the Town. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

User Charges (Water and Sewer)

User charges are levied quarterly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and sewer liens are processed approximately once every year and are included as a lien on the property owner's tax bill. Water and sewer charges are recorded as receivables when levied.

Special Assessments

Special assessments for sidewalks and streets betterments are levied annually based on various sidewalks and streets projects. Residents have the option of paying their respective share of the betterment up front or over a period of up to 20 years and are subject to penalties and interest if they are not paid by the respective due dates. Special assessments are recorded as receivables when the project is complete.

Departmental and Other

Departmental and other receivables consist primarily of ambulance services and police details and are recorded as receivables in the fiscal year accrued.

Intergovernmental

Various state and federal operating and capital grants are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

H. Allowance for Uncollectible Amounts

The allowance for uncollectible amounts is estimated based on historical trends and specific account analysis for the following accounts receivable:

- Personal property taxes
- Motor vehicle and other excise taxes
- Departmental and other

The following types of accounts receivable are secured via the lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible amounts is not reported.

- Real estate taxes and tax liens
- User charges (water and sewer, including liens)
- Special assessments

Intergovernmental receivables are considered 100% collectible.

I. InventoriesGovernment-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements and therefore are not reported.

J. Restricted AssetsGovernment-Wide and Fund Financial Statements

Assets are reported as restricted when limitations on their use change the nature of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

K. Capital AssetsGovernment-Wide and Proprietary Fund Financial Statements

Capital assets, which consist of land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles, and infrastructure (e.g., roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activities column of the government-wide financial statements and the proprietary fund financial statements.

Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation.

All purchases and construction costs are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land and construction in progress) are depreciated on a straight-line basis. The estimated useful lives and capitalization thresholds of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>	<u>Capitalization Threshold (\$)</u>
Land.....	N/A	25,000
Land improvements.....	20-30	25,000
Buildings and improvements.....	7-50	25,000
Machinery and equipment.....	5-30	5,000
Vehicles.....	8	5,000
Infrastructure.....	20-60	50,000

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

L. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net position as "internal balances".

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are not eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

M. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds.

Government-Wide Financial Statements

Transfers between and within governmental funds are eliminated from the governmental activities in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

Transfers between and within funds are not eliminated from the individual fund statements and are reported as transfers in and transfers out.

N. Deferred Revenue

Deferred revenue at the fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide financial statements (full accrual).

O. Net position and Fund Balances

Government-Wide Financial Statements and Proprietary Fund Financial Statements (Net position)

Net position are reported as restricted when amounts are restricted by outside parties for a specific future use.

Net position have been "restricted" for the following:

"Other postemployment benefits" (OPEB) represents restrictions for current and future retirees' health insurance benefits.

"Debt service" represents amounts accumulated from premiums on exempt debt for the future payment of long-term debt service costs.

“Permanent funds – expendable” represents amounts held in trust for which the expenditures are restricted by various trust agreements.

“Permanent funds – nonexpendable” represents amounts held in trust for which only investment earnings may be expended.

“Other specific purposes” represents restrictions placed on assets from outside parties.

Governmental Funds Financial Statements (Fund Balances)

The following fund balance classifications describe the relative strength of the spending constraints:

Nonspendable – represents amounts that cannot be spent either because they are in nonspendable form (i.e., prepaid amounts) or because they are legally or contractually required to be maintained intact (i.e., principal of permanent fund).

Restricted – represents amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – represents amounts that can be used only for specific purposes imposed by a formal action of Town meeting, which is the highest level of decision-making authority for the Town. Committed amounts may be established, modified, or rescinded only through actions approved by Town meeting.

Assigned – represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the Town’s structure, only authorized assignments for non-contractual encumbrances can be made by individual department heads.

Unassigned – represents the residual fund balance for the General Fund and the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned and unassigned.

Encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

The Town adopted a general fund balance policy as of December 31, 2008. It is the Town’s policy to maintain a sum in operating reserves that is no less than five percent of its total general fund revenues. The Town considers its operating reserves to consist of unassigned fund balance of the general fund’s main operating fund and the general stabilization fund.

P. Long-term Debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statements of net position. Material bond premiums, discounts and losses on refundings are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium/discount.

Governmental Funds Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources when the debt is issued. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses.

Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

Q. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Investment income from the proprietary funds is retained in the proprietary funds.

R. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Funds Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities upon employee retirements and resignations.

S. Post Retirement Benefits

Government-Wide and Fund Financial Statements

In addition to providing pension benefits, and as more fully described in Note 10, the Town provides health and life insurance coverage for current and future retirees and their spouses.

T. Use of Estimates

Government-Wide and Fund Financial Statements

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

U. Total Column

Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column presented on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**A. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting vote. The Finance Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote. Increases to the original budget subsequent to the approval of the annual budget require Special Town Meeting approval.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year.

Generally, expenditures may not exceed the level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the Town is statutorily required to pay debt service, regardless of whether such amounts are appropriated.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2013 approved budget for the general fund authorized \$95,251,236 in appropriations. During fiscal year 2013, supplemental appropriations totaling \$1,006,936 were authorized.

The Comptroller's office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

The budgetary comparison schedule presented in the accompanying required supplementary information presents comparison of the legally adopted budget, as amended, with actual results. The originally adopted budget is presented for purposes of comparison to the final, amended budget.

B. Fund Deficits

At June 30, 2013, the following fund deficits exist:

Fund	Amount	Funding Source
Wright/Locke Farm Purchase (major fund)	\$ 12,020,000 *	Proceeds from sale of land or issuance of long-term debt
Recreation (nonmajor enterprise fund)	229,426	User charges and available funds
Tri Community Bike Path Grant	80,990	State grant
911 Support	47,033	State grant
SPED Cluster Grants 94-412	18,991	Federal grant
Title I	13,042	Federal grant
SPED Early Childhood	11,584	Federal grant

* See Note 17

NOTE 3 - DEPOSITS AND INVESTMENTS*Town (excluding the Pension Trust Fund)*

The municipal finance laws of the Commonwealth authorize the Town to invest temporarily idle cash in bank term deposits and certificates of deposits, and treasury and agency obligations of the United States government, with maturities of one year or less; U.S. treasury or agency repurchase agreements with maturities of not more than 90 days; money market accounts; and the state treasurer's investment pool - the Massachusetts Municipal Depository Trust (MMDT).

The MMDT meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee. The reported value of the pool is the same as the fair value of pool shares.

A cash and investment pool is maintained that is available for use by all funds with unrestricted cash and investments. The deposits and investments of the permanent funds, private purpose trust funds and the pension trust fund are held separately from other Town funds.

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits may not be recovered. The Town does not have a policy for custodial credit risk of deposits. As of June 30, 2013, \$11,742,060 of the Town's bank balance of \$14,167,780 was uninsured and uncollateralized.

Investments Summary

The Town's investments at June 30, 2013 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
<u>Debt Securities:</u>					
U.S. Treasuries.....	\$ 966,224	\$ 284,299	\$ 350,213	\$ 268,150	\$ 63,562
Corporate bonds.....	115,680	-	-	-	115,680
Money market mutual funds.....	8,455,636	8,455,636	-	-	-
Fixed income securities.....	83,892	-	-	-	83,892
External investment pools.....	10,061,506	10,061,506	-	-	-
Total debt securities.....	19,682,938	\$ 18,801,441	\$ 350,213	\$ 268,150	\$ 263,134
<u>Other Investments:</u>					
Equity securities.....	2,927,373				
Equity mutual funds.....	1,286,853				
Total other investments.....	4,214,226				
Total investments.....	\$ 23,897,164				

Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Town has a policy that the fixed income portion of the portfolio shall have an average maturity of not more than 10 years.

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk of investments. As of June 30, 2013, the Town was not exposed to custodial credit risk.

Investments - Credit Risk of Debt Securities

Credit risk for investments is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Town has a policy that corporate debt obligations shall be rated no less than "A" by at least one nationally recognized bond rating service. As of June 30, 2013, the credit quality ratings of the Town's investments in debt securities are as follows:

Investment Type	Fair Value	Quality Ratings (1), (2)				
		AA	AA-	A	BBB-	Unrated
Corporate bonds.....	\$ 115,680	\$ -	\$ -	\$ -	\$ 115,680	\$ -
Money market mutual funds.....	8,455,636	-	-	-	-	8,455,636
Fixed income securities.....	83,892	21,432	22,305	21,005	-	19,150
External investment pools.....	10,061,506	-	-	-	-	10,061,506
Total.....	\$ 18,716,714	\$ 21,432	\$ 22,305	\$ 21,005	\$ 115,680	\$ 18,536,292

(1) Per the rating scale of Standard and Poor's (a national credit rating organization)

(2) Excludes explicitly-guaranteed investments in U.S. Treasuries

Pension Trust Fund (The System)

The System has expanded investment powers, including the ability to invest in equity securities, corporate bonds and other specified investments.

The System participates in the Pension Reserve Investment Trust (PRIT), which meets the criteria of an external investment pool and operates in accordance with applicable state laws and regulations. The Treasurer of the Commonwealth serves as Trustee and provides regulatory oversight. The reported value of the pool is the same as the fair value of the System's position in pool shares.

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the System's deposits may not be recovered. The System does not have a policy for custodial credit risk of deposits. As of December 31, 2012, the System was not exposed to custodial credit risk.

Investments Summary

The System's investments at December 31, 2012 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years) Less Than 1</u>
<u>Debt Securities:</u>		
Money market mutual funds.....	\$ 3,035,565	\$ 3,035,565
Mutual bond funds.....	16,603,680	16,603,680
External investment pools.....	18,728,043	18,728,043
Total debt securities.....	<u>38,367,288</u>	<u>\$ 38,367,288</u>
<u>Other Investments:</u>		
Equity mutual funds.....	42,849,265	
Real estate investments.....	2,151,501	
Alternative investments.....	<u>4,188,884</u>	
Total other investments.....	<u>49,189,650</u>	
Total investments.....	<u>\$ 87,556,938</u>	

Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The System does not have a policy for interest rate risk of debt securities.

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System does not have a policy for custodial credit risk of investments. As of December 31, 2012, \$1,659,967 of the System's investments of \$87,556,938 was uninsured, not registered in the name of the System and exposed to custodial credit risk as follows:

<u>Investment Type</u>	<u>Held by Counterparty's Trust or Agent</u>
Real estate investments.....	<u>\$ 1,659,967</u>

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The System does not have a policy for credit risk of debt securities. As of December 31, 2012, the credit quality ratings of the System's debt securities are as follows:

Quality Ratings *	Money Market Mutual Funds	Mutual Bond Funds	External Investment Pools	Total
AAA.....	\$ -	\$ 10,155,319	\$ -	\$ 10,155,319
AA.....	-	682,520	-	682,520
A.....	-	2,165,627	-	2,165,627
BBB.....	-	3,278,362	-	3,278,362
BB.....	-	12,939	-	12,939
Below B.....	-	276,566	-	276,566
Unrated.....	3,035,565	32,347	18,728,043	21,795,955
Total.....	\$ 3,035,565	\$ 16,603,680	\$ 18,728,043	\$ 38,367,288

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

Investments - Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or a deposit. The System does not have a policy for foreign currency risk. As of December 31, 2012, the System's exposure to foreign currency risk is as follows:

Investment Type	U.S. Dollar Balances	Currency
Equity mutual funds.....	\$ 4,147,245	Euro
Equity mutual funds.....	3,241,739	British Pound
Equity mutual funds.....	2,871,501	Japanese Yen
Equity mutual funds.....	1,349,301	Chinese Yuan/Renminbi
Equity mutual funds.....	1,280,049	Australian Dollar
Equity mutual funds.....	1,247,044	Swiss Franc
Equity mutual funds.....	617,842	South Korean Won
Equity mutual funds.....	514,556	Brazilian Real
Equity mutual funds.....	452,035	Swedish Krona
Equity mutual funds.....	450,600	Hong Kong Dollar
Equity mutual funds.....	428,170	Taiwan Dollar
Equity mutual funds.....	312,208	South African Rand
Equity mutual funds.....	280,752	Indian Rupee
Equity mutual funds.....	266,916	Singapore Dollar
Equity mutual funds.....	246,010	Russian Rouble
Equity mutual funds.....	209,390	Mexican Peso
Equity mutual funds.....	166,464	Danish Krone
Equity mutual funds.....	142,254	Malaysian Ringgit
Equity mutual funds.....	132,023	Norwegian Krone
Equity mutual funds.....	110,329	Indonesian Rupiah
Equity mutual funds.....	109,390	Thailand Baht
Equity mutual funds.....	81,690	Turkish Lira
Equity mutual funds.....	77,492	Israeli Shekel
Equity mutual funds.....	73,709	Chilean Peso
Equity mutual funds.....	61,972	Polish Zloty
Equity mutual funds.....	51,643	Colombian Peso
Equity mutual funds.....	39,906	Philippines Peso
Equity mutual funds.....	26,291	Peruvian New Sol
Equity mutual funds.....	17,220	New Zealand Dollar
Equity mutual funds.....	12,676	Egyptian Pound
Equity mutual funds.....	11,268	Czech Koruna
Equity mutual funds.....	11,268	Hungarian Forint
Equity mutual funds.....	3,286	Moroccan Dirham
Equity mutual funds.....	939	Jordanian Dinar
Total.....	\$ 19,045,178	

NOTE 4 - ACCOUNTS RECEIVABLE

At June 30, 2013, receivables for the individual major governmental funds and nonmajor governmental and fiduciary funds in the aggregate, including the applicable allowances for uncollectible amounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 877,556	\$ -	\$ 877,556
Real estate tax deferrals.....	650,098	-	650,098
Tax liens.....	545,389	-	545,389
Motor vehicle and other excise taxes.....	539,910	(190,065)	349,845
Special assessments.....	53,381	-	53,381
Departmental and other.....	529,577	(157,495)	372,082
Intergovernmental.....	4,998,052	-	4,998,052
	<u>\$ 8,193,963</u>	<u>\$ (347,560)</u>	<u>\$ 7,846,403</u>

At June 30, 2013, receivables for the water/sewer enterprise fund consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
User charges.....	\$ 1,825,968	\$ -	\$ 1,825,968
Utility liens.....	94,227	-	94,227
	<u>\$ 1,920,195</u>	<u>\$ -</u>	<u>\$ 1,920,195</u>

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

	General Fund	Nonmajor Governmental Funds	Total
<u>Receivable type:</u>			
Real estate and personal property taxes.....	\$ 545,318	\$ -	\$ 545,318
Real estate tax deferrals.....	650,098	-	650,098
Tax and utility liens.....	545,389	-	545,389
Motor vehicle and other excise taxes.....	349,845	-	349,845
Special assessments.....	53,381	-	53,381
Departmental and other.....	248,853	123,229	372,082
Intergovernmental (state school construction).....	3,459,704	-	3,459,704
Total.....	<u>\$ 5,852,588</u>	<u>\$ 123,229</u>	<u>\$ 5,975,817</u>

McCall Middle School

The Massachusetts School Building Authority (MSBA) provides contract assistance to the Town for the completed McCall Middle School construction project. The assistance program provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2013, \$672,082 of such assistance was received and is reported as revenue in the General Fund major governmental fund's financial statements. Approximately \$5,377,000 will be received in future fiscal years. Of this amount, approximately \$1,917,000 represents reimbursement of long-term interest costs, and approximately \$3,460,000 represents reimbursement of approved construction costs. Accordingly, a \$3,459,704 intergovernmental receivable and corresponding deferred revenue have been reported in the General Fund major governmental fund's financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

Vinson-Owen Elementary School

The MSBA provides grants to the Town for the current Vinson-Owen Elementary School construction project. The grant provides resources for allowable costs related to the school construction project. The MSBA has approved a maximum grant totaling approximately \$10,400,000, representing 40% of the total approved construction costs of approximately \$26,000,000. During fiscal year 2013, \$6,883,968 of grant assistance was received and accrued and is reported as revenue in the School Construction major governmental fund's financial statements. As of June 30, 2013, approximately \$23,785,000 has been spent on the project and approximately \$8,384,000 in grants has been received and accrued to date. A \$723,564 intergovernmental receivable has been reported in the School Construction major governmental fund's financial statements for costs incurred but not yet reimbursed as of June 30, 2013.

Winchester High School

The MSBA provides grants to the Town for the current Winchester High School feasibility study. The grant provides resources for allowable costs related to the feasibility study. The MSBA has approved a maximum grant totaling approximately \$441,000, representing 33.95% of the total approved study costs of approximately \$1,300,000. During fiscal year 2013, \$317,494 of grant assistance was received and accrued and is reported as revenue in the School Construction major governmental fund's financial statements. As of June 30, 2013, approximately \$865,000 has been spent on the project and approximately \$317,000 in grants has been received and accrued to date. A \$118,641 intergovernmental receivable has been reported in the School Construction major governmental fund's financial statements for costs incurred but not yet reimbursed as of June 30, 2013.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 60,081,516	\$ -	\$ -	\$ 60,081,516
Construction in progress.....	13,410,353	19,353,527	(4,463,405)	28,300,475
Total capital assets not being depreciated.....	<u>73,491,869</u>	<u>19,353,527</u>	<u>(4,463,405)</u>	<u>88,381,991</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	5,712,241	40,247	-	5,752,488
Buildings and improvements.....	106,848,625	4,435,500	-	111,284,125
Machinery and equipment.....	9,707,684	1,022,183	(81,678)	10,648,189
Vehicles.....	4,626,219	59,751	(66,926)	4,619,044
Infrastructure.....	31,274,237	579,453	(297,760)	31,555,930
Total capital assets being depreciated.....	<u>158,169,006</u>	<u>6,137,134</u>	<u>(446,364)</u>	<u>163,859,776</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(3,277,145)	(153,481)	-	(3,430,626)
Buildings and improvements.....	(35,528,639)	(2,501,893)	-	(38,030,532)
Machinery and equipment.....	(8,348,685)	(465,284)	77,880	(8,736,089)
Vehicles.....	(3,282,050)	(87,082)	63,522	(3,305,610)
Infrastructure.....	(22,915,993)	(838,171)	273,813	(23,480,351)
Total accumulated depreciation.....	<u>(73,352,512)</u>	<u>(4,045,911)</u>	<u>415,215</u>	<u>(76,983,208)</u>
Total capital assets being depreciated, net.....	<u>84,816,494</u>	<u>2,091,223</u>	<u>(31,149)</u>	<u>86,876,568</u>
Total governmental activities capital assets, net.....	<u>\$ 158,308,363</u>	<u>\$ 21,444,750</u>	<u>\$ (4,494,554)</u>	<u>\$ 175,258,559</u>

Business-Type Activities:	Beginning Balance	Increases	Decreases	Ending Balance
<i>Water/Sewer:</i>				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 1,751,065	\$ 555,542	\$ (415,227)	\$ 1,891,380
<u>Capital assets being depreciated:</u>				
Land improvements.....	1,576,588	-	-	1,576,588
Buildings and improvements.....	7,039,219	-	-	7,039,219
Machinery and equipment.....	1,533,182	-	-	1,533,182
Vehicles.....	773,463	-	(21,853)	751,610
Infrastructure.....	13,869,219	690,227	-	14,559,446
Total capital assets being depreciated.....	24,791,671	690,227	(21,853)	25,460,045
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(74,573)	(78,829)	-	(153,402)
Buildings and improvements.....	(2,237,256)	(144,676)	-	(2,381,932)
Machinery and equipment.....	(872,195)	(67,393)	-	(939,588)
Vehicles.....	(773,463)	-	21,853	(751,610)
Infrastructure.....	(3,911,672)	(287,522)	-	(4,199,194)
Total accumulated depreciation.....	(7,869,159)	(578,420)	21,853	(8,425,726)
Total capital assets being depreciated, net.....	16,922,512	111,807	-	17,034,319
Total water/sewer capital assets, net.....	18,673,577	667,349	(415,227)	18,925,699
<i>Recreation:</i>				
<u>Capital assets being depreciated:</u>				
Land improvements.....	364,965	-	-	364,965
Buildings and improvements.....	10,716	-	-	10,716
Total capital assets being depreciated.....	375,681	-	-	375,681
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(323,895)	(12,708)	-	(336,603)
Buildings and improvements.....	(9,019)	(214)	-	(9,233)
Total accumulated depreciation.....	(332,914)	(12,922)	-	(345,836)
Total recreation capital assets, net.....	42,767	(12,922)	-	29,845
Total business-type activities capital assets, net.....	\$ 18,716,344	\$ 654,427	\$ (415,227)	\$ 18,955,544

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

Governmental Activities:

General government.....	\$	109,012
Public safety.....		374,468
Education.....		1,905,647
Public works.....		1,232,878
Health and human services.....		2,522
Culture and recreation.....		421,384

Total depreciation expense - governmental activities..... \$ 4,045,911

Business-Type Activities:

Water/Sewer.....	\$	578,420
Recreation.....		12,922

Total depreciation expense - business-type activities..... \$ 591,342

NOTE 6 - INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2013, are summarized as follows:

Transfers Out:	Transfers In:					Total
	General Fund	School Construction	Nonmajor Governmental Funds	Water/Sewer Enterprise Fund	Recreation Enterprise Fund	
General Fund.....	\$ -	\$ -	\$ 184,576	\$ 3,916,666	\$ 20,182	\$ 4,121,424 (1)
Nonmajor Governmental Funds.....	195,528	265,524	100,705	-	-	561,757 (2)
Water/Sewer Enterprise Fund.....	788,508	-	-	-	-	788,508 (3)
Recreation Enterprise Fund.....	101,549	-	-	-	-	101,549 (3)
	<u>\$ 1,085,585</u>	<u>\$ 265,524</u>	<u>\$ 285,281</u>	<u>\$ 3,916,666</u>	<u>\$ 20,182</u>	<u>\$ 5,573,238</u>

(1) Represents budgeted transfers to various capital projects funds (\$184,576) and budgeted subsidies to the water/sewer enterprise fund (\$3,916,666) and recreation enterprise fund (\$20,182)

(2) Represents budgeted transfers to the general fund from the parking meter special revenue fund (\$77,000), permanent care fund (\$90,000), fire truck capital project fund (\$1,845) and unbudgeted close-out transfers from various nonmajor governmental funds (\$26,683). Also represents a transfer from the DPW complex capital project fund to various school construction capital projects funds (\$265,524) and miscellaneous transfers between nonmajor governmental funds (\$100,705).

(3) Represents transfers for indirect costs related to shared employees

NOTE 7 - SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue anticipation notes (RAN) or tax anticipation notes (TAN).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BAN) or grant anticipation notes (GAN).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund and enterprise fund, respectively.

Details related to the short-term debt activity for the fiscal year ended June 30, 2013, is as follows:

Governmental Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at 6/30/2012	Increases	Decreases	Balance at 6/30/2013
BAN	Wright/Locke Farm Purchase.....	7/7/11	7/6/12	1.25%	\$ 12,020,000	\$ -	\$ (12,020,000)	\$ -
BAN	School Feasibility Study.....	7/7/11	7/6/12	1.25%	1,300,000	-	(1,300,000)	-
BAN	Wright/Locke Farm Purchase.....	7/6/12	7/2/13	1.25%	-	12,020,000	-	12,020,000
BAN	School Feasibility Study.....	7/6/12	7/2/13	1.25%	-	1,300,000	-	1,300,000
BAN	School Construction.....	4/4/13	7/2/13	0.75%	-	2,000,000	-	2,000,000
Total.....					\$ 13,320,000	\$ 15,320,000	\$ (13,320,000)	\$ 15,320,000

Enterprise Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at 6/30/2012	Increases	Decreases	Balance at 6/30/2013
BAN	Drainage Improvements.....	4/4/13	7/2/13	0.75%	\$ -	\$ 308,000	\$ -	\$ 308,000

Subsequent Events

On July 2, 2013, the Town renewed the BANs outstanding at June 30, 2013 in the amount of \$15,628,000, at an interest rate of 1.25% with a maturity date of July 2, 2014.

NOTE 8 - LONG-TERM OBLIGATIONS

The following represents a summary of changes that occurred in long-term obligations during the fiscal year ended June 30, 2013:

	Balance June 30, 2012*	Increases	Decreases	Balance June 30, 2013	Current Portion
Governmental Activities:					
Bonds and notes payable, gross.....	\$ 64,848,423	\$ -	\$ (5,198,647)	\$ 59,649,776	\$ 5,019,326
Unamortized deferred loss on refundings.....	(36,617)	-	14,646	(21,971)	(14,646)
Bonds and notes payable, net.....	64,811,806	-	(5,184,001)	59,627,805	5,004,680
Workers' compensation claims.....	200,904	273,698	(233,601)	241,001	184,451
Net OPEB obligation.....	18,564,784	3,705,655	(2,449,898)	19,820,541	-
Compensated absences.....	1,576,696	4,147	-	1,580,843	158,084
Total.....	<u>\$ 85,154,190</u>	<u>\$ 3,983,500</u>	<u>\$ (7,867,500)</u>	<u>\$ 81,270,190</u>	<u>\$ 5,347,215</u>
Business-type Activities:					
Bonds and notes payable, gross.....	\$ 9,804,183	\$ -	\$ (1,240,439)	\$ 8,563,744	\$ 1,203,760
Unamortized deferred loss on refundings.....	(67,239)	-	26,895	(40,344)	(26,895)
Bonds and notes payable, net.....	9,736,944	-	(1,213,544)	8,523,400	1,176,865
Net OPEB obligation.....	655,880	162,461	(107,407)	710,934	-
Compensated absences.....	49,055	5,491	-	54,546	5,455
Total.....	<u>\$ 10,441,879</u>	<u>\$ 167,952</u>	<u>\$ (1,320,951)</u>	<u>\$ 9,288,880</u>	<u>\$ 1,182,320</u>

* As restated and described in Note 14

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

NOTE 9 - LONG-TERM DEBT

Details related to the outstanding indebtedness at June 30, 2013, and the debt service requirements are as follows:

Bonds and Notes Payable - Governmental Funds

Project	Interest Rate	Outstanding at June 30, 2012*	Issued	Redeemed	Outstanding at June 30, 2013
MWPAT.....	4.96%	\$ 28,044	\$ -	\$ (4,007)	\$ 24,037
Building remodeling refunding.....	3.51%	535,784	-	(182,140)	353,644
Ambrose school.....	4.47%	1,080,000	-	(360,000)	720,000
Lincoln school.....	4.44%	690,000	-	(230,000)	460,000
Computer hardware & software.....	3.75%	50,000	-	(50,000)	-
Capital improvements.....	4.21%	229,000	-	(78,000)	151,000
Departmental equipment.....	3.94%	60,000	-	(20,000)	40,000
Roads.....	4.13%	66,000	-	(22,000)	44,000
Dam improvements.....	3.92%	45,000	-	(35,000)	10,000
Cross street culvert.....	4.44%	30,000	-	(10,000)	20,000
School building remodeling refunding.....	3.82%	584,530	-	(76,020)	508,510
School engineering refunding.....	3.82%	125,065	-	(16,480)	108,585
School remodeling.....	3.92%	2,160,000	-	(165,000)	1,995,000
Town building remodeling.....	3.91%	255,000	-	(20,000)	235,000
Equipment and planning.....	3.51%	40,000	-	(5,000)	35,000
Drainage - cross street.....	3.90%	255,000	-	(20,000)	235,000
Building remodeling.....	4.25%	315,000	-	(25,000)	290,000
School remodeling.....	4.24%	840,000	-	(60,000)	780,000
Lincoln school.....	4.26%	340,000	-	(30,000)	310,000
Drainage.....	4.25%	30,000	-	(5,000)	25,000
Ambrose school.....	4.24%	1,210,000	-	(90,000)	1,120,000
Building remodeling & plans.....	4.25%	210,000	-	(15,000)	195,000
School remodeling.....	4.13%	2,440,000	-	(175,000)	2,265,000
School classrooms.....	4.08%	870,000	-	(80,000)	790,000
McCall middle school design.....	4.18%	470,000	-	(30,000)	440,000
Building remodeling and plans.....	4.15%	104,000	-	(8,000)	96,000
Recycling center planning.....	3.94%	15,000	-	(15,000)	-
McCall middle school addition.....	4.21%	5,250,000	-	(310,000)	4,940,000
Public safety building.....	4.21%	1,310,000	-	(81,000)	1,229,000
Town hall.....	4.20%	1,781,000	-	(106,000)	1,675,000
Transfer station/landfill use restoration.....	4.25%	330,000	-	(20,000)	310,000
Feasibility study - V.O. Elementary.....	2.28%	80,000	-	(40,000)	40,000
Public safety building.....	3.53%	1,385,000	-	(85,000)	1,300,000
DPW complex.....	3.55%	850,000	-	(50,000)	800,000
Transfer station belt.....	2.28%	180,000	-	(90,000)	90,000
Manchester field.....	3.24%	1,080,000	-	(90,000)	990,000
Fire alarms/corridor/ADA.....	3.53%	810,000	-	(50,000)	760,000
Building remodeling refunding.....	2.71%	146,000	-	(30,000)	116,000
School project refunding.....	2.76%	462,000	-	(85,000)	377,000
School construction refunding.....	3.23%	8,497,000	-	(1,010,000)	7,487,000
Muraco School HVAC.....	3.22%	1,105,000	-	(85,000)	1,020,000
Fire Trucks.....	2.38%	390,000	-	(130,000)	260,000
DPW Repairs.....	3.37%	190,000	-	(15,000)	175,000
Vinson-Owen School.....	4.05%	15,360,000	-	(640,000)	14,720,000
Lynch School roof repairs.....	3.65%	920,000	-	(50,000)	870,000
Muraco School HVAC.....	3.28%	90,000	-	(10,000)	80,000
Flood mitigation.....	3.68%	3,760,000	-	(200,000)	3,560,000
Ambrose School.....	2.00%	3,832,150	-	(78,500)	3,753,650
Lincoln School I.....	2.00%	2,389,000	-	(47,000)	2,342,000
Lincoln School II (comp).....	2.00%	102,500	-	(2,000)	100,500
Capital improvements.....	2.00%	490,500	-	(9,500)	481,000
Sewer & Dam.....	2.00%	40,350	-	(1,000)	39,350
Departmental Equipment II.....	2.00%	53,500	-	(1,000)	52,500
Sewer.....	2.00%	108,500	-	(2,000)	106,500
Roads.....	2.00%	148,500	-	(4,000)	144,500
Flood mitigation - Center Falls Dam.....	2.00%	630,000	-	(50,000)	580,000
Sub-total.....		64,848,423	-	(5,198,647)	59,649,776
Deferred loss on refundings.....		(36,617)	-	14,646	(21,971)
Total governmental funds, net.....		\$ 64,811,806	\$ -	\$ (5,184,001)	\$ 59,627,805

* As restated and described in Note 14

Debt service requirements (gross) for principal and interest for governmental bonds and notes payable in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014.....	\$ 5,019,326	\$ 2,327,844	\$ 7,347,170
2015.....	4,864,451	2,175,253	7,039,704
2016.....	4,543,301	1,727,137	6,270,438
2017.....	4,476,926	1,594,471	6,071,397
2018.....	4,406,206	1,453,838	5,860,044
2019.....	4,274,566	1,295,959	5,570,525
2020.....	4,230,000	1,145,499	5,375,499
2021.....	4,095,000	1,004,872	5,099,872
2022.....	3,155,000	885,461	4,040,461
2023.....	3,130,000	781,128	3,911,128
2024.....	2,990,000	675,671	3,665,671
2025.....	2,840,000	571,963	3,411,963
2026.....	1,975,000	480,252	2,455,252
2027.....	1,610,000	406,371	2,016,371
2028.....	1,600,000	340,213	1,940,213
2029.....	1,530,000	271,797	1,801,797
2030.....	890,000	222,276	1,112,276
2031.....	820,000	184,434	1,004,434
2032.....	640,000	149,600	789,600
2033.....	640,000	121,600	761,600
2034.....	640,000	92,800	732,800
2035.....	640,000	64,000	704,000
2036.....	640,000	32,000	672,000
Total.....	\$ <u>59,649,776</u>	\$ <u>18,004,439</u>	\$ <u>77,654,215</u>

Bonds and Notes Payable - Water/Sewer Enterprise Fund

Project	Interest Rate	Outstanding at June 30, 2012*	Issued	Redeemed	Outstanding at June 30, 2013
Water (MWRA).....	0.00%	\$ 11,000	\$ -	\$ (11,000)	\$ -
Water treatment facility refunding.....	3.50%	969,216	-	(337,860)	631,356
Drainage.....	4.44%	450,000	-	(150,000)	300,000
Water mains refunding.....	3.81%	1,915,270	-	(252,650)	1,662,620
Water mains II refunding.....	3.81%	340,135	-	(44,850)	295,285
Water (MWRA).....	0.00%	222,076	-	(55,519)	166,557
Drainage.....	4.46%	1,595,000	-	(110,000)	1,485,000
Phase III drainage.....	3.53%	630,000	-	(40,000)	590,000
Drainage.....	3.43%	1,515,000	-	(85,000)	1,430,000
Water (MWRA).....	0.00%	256,971	-	(85,657)	171,314
Sewer pump stations.....	2.00%	210,000	-	(20,000)	190,000
Sewer (MWRA).....	0.00%	64,515	-	(12,903)	51,612
Drainage refunding.....	2.00%	1,625,000	-	(35,000)	1,590,000
Sub-total.....		9,804,183	-	(1,240,439)	8,563,744
Deferred loss on refundings.....		(67,239)	-	26,895	(40,344)
Total water/sewer enterprise fund, net...		\$ 9,736,944	\$ -	\$ (1,213,544)	\$ 8,523,400

* As restated and described in Note 14

The MWRA operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. For each community approved for the project, financial assistance received from the MWRA consists of a grant and non-interest bearing loan (payable in five equal annual installments). At June 30, 2013, the outstanding principal amount of these loans totaled \$389,483.

Debt service requirements (gross) for principal and interest for enterprise fund bonds and notes payable in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014.....	\$ 1,203,760	\$ 329,144	\$ 1,532,904
2015.....	1,168,634	294,648	1,463,282
2016.....	779,127	194,955	974,082
2017.....	719,983	171,949	891,932
2018.....	687,800	148,802	836,602
2019.....	679,440	125,206	804,646
2020.....	670,000	102,616	772,616
2021.....	400,000	84,628	484,628
2022.....	395,000	72,664	467,664
2023.....	390,000	60,646	450,646
2024.....	385,000	48,001	433,001
2025.....	380,000	36,051	416,051
2026.....	230,000	25,627	255,627
2027.....	225,000	16,631	241,631
2028.....	125,000	9,778	134,778
2029.....	125,000	4,984	129,984
Total.....	\$ <u>8,563,744</u>	\$ <u>1,726,330</u>	\$ <u>10,290,074</u>

Debt Refundings

During prior fiscal years, certain general obligation bonds were defeased by placing the proceeds of bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2013, \$8,145,000 of bonds outstanding from the advance refundings are considered defeased.

Authorized and Unissued Debt

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2013, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
School Construction Projects.....	\$ 12,170,307 *
Land Acquisition.....	12,020,000 *
School Feasibility Studies.....	1,426,000 *
Drainage.....	308,050 *
Sewer.....	186,120
Total.....	\$ <u>26,110,477</u>

* Short-term debt of \$15,628,000 has been issued and is outstanding at June 30, 2013

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS

Plan Description – The Town provides health and life insurance coverage for its retirees and their survivors (hereinafter referred to as the “Plan”) as a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions. Changes to plan design and contribution rates must be accomplished through the collective bargaining process. The Plan does not issue a stand alone financial report.

The number of participants as of June 30, 2013, the latest actuarial valuation, is as follows:

Active employees.....	769
Retired employees, beneficiaries and dependents.....	<u>664</u>
Total.....	<u><u>1,433</u></u>

Funding Policy - The contribution requirements of Plan members and the Town are established and may be amended by the Town. The required health insurance contribution rates (including Medicare Part B) of Plan members and the Town vary by health plan and range from 50 - 90% and 10 - 50%, respectively. Effective July 1, 2014, the required health insurance contribution rates of Plan members and the Town will be 50%, respectively, for all health plans. The Plan members and Town each contribute 50% towards a \$4,000 term life insurance policy. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

Annual OPEB Cost and Net OPEB Obligation - The Town’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an actuarially determined amount that is calculated in accordance with the parameters set forth in GASB Statement #45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Town’s annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the Town’s net OPEB obligation:

	<u>Amount</u>
Annual required contribution.....	\$ 4,299,309
Interest on net OPEB obligation.....	209,496
Adjustment to annual required contribution.....	<u>(640,689)</u>
Annual OPEB cost.....	3,868,116
Contributions made.....	<u>(2,557,305)</u>
Increase in net OPEB obligation.....	1,310,811
Net OPEB obligation at beginning of year.....	<u>19,220,664</u>
Net OPEB obligation at end of year.....	<u><u>\$ 20,531,475</u></u>

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

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (AOPEBC)</u>	<u>Percentage of AOPEBC Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011.....	\$ 6,668,269	39.0%	14,745,629
June 30, 2012.....	6,934,921	35.5%	19,220,664
June 30, 2013.....	3,868,116	66.1%	20,531,475

Funded Status and Funding Progress - The funded status of the Plan at June 30, 2013, the most recent actuarial valuation, was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Liability (AAL) Projected Unit Credit (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
06/30/13	\$ -	\$ 60,106,276	\$ 60,106,276	0.0%	\$ 44,699,816	134.5%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

The significant methods and assumptions as of the latest actuarial valuation are as follows:

Valuation date:	June 30, 2013
Actuarial cost method:	Projected Unit Credit
Amortization method:	Level percentage of projected payroll
Remaining amortization period:	30 years at June 30, 2013 (open amortization period)
Interest discount rate:	4.00%

Healthcare/Medical cost trend rate: 6.5% decreasing 0.5% annually to an ultimate level of 4.5%

Projected salary increases: 4.00% annually

Allocation of AOEPEC – AOEPEC costs were allocated to the Town’s functions as follows:

Governmental Activities:	
General government.....	\$ 185,670
Public safety.....	599,558
Education.....	2,518,143
Public works.....	270,768
Health and human services.....	34,813
Culture and recreation.....	96,703
	<u>3,705,655</u>
Total AOEPEC - governmental activities.....	<u>3,705,655</u>
Business-Type Activities:	
Water/Sewer.....	88,967
Recreation.....	73,494
	<u>162,461</u>
Total AOEPEC - business-type activities.....	<u>162,461</u>
Total AOEPEC.....	<u>\$ 3,868,116</u>

NOTE 11 - RISK FINANCING

Property and Liability Insurance

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance.

The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

Health Insurance

The Town participates in a premium-based health-care plan for its active and retired employees. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

Workers' Compensation and Unemployment Insurance

The Town is self-insured for its workers' compensation and unemployment activities. These activities are accounted for in the general fund where expenses are recorded when incurred.

Workers' compensation claims are administered by a third party administrator and are funded on a pay-as-you-go basis from annual appropriations. The estimated future liability is based on history and injury type.

The liability at June 30, 2013, totaled \$241,001. Changes in the reported liability since July 1, 2011, are as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-end
Fiscal year 2012.....	\$ 125,429	\$ 209,249	\$ (133,774)	\$ 200,904
Fiscal year 2013.....	200,904	606,769	(566,672)	241,001

The Town's liability for unemployment claims is immaterial at June 30, 2013, and therefore is not reported.

NOTE 12 - FUND BALANCES

The constraints on fund balances in the Governmental Funds Balance Sheet are detailed as follows:

	General	School Construction	Wright/Locke Farm Purchase	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ 2,265,582	\$ 2,265,582
Restricted for:					
Debt service.....	139,186	-	-	-	139,186
Other post employment benefits.....	751,874	-	-	-	751,874
School construction.....	-	1,428,030	-	-	1,428,030
Library endowment.....	-	-	-	1,238,740	1,238,740
Housing funds.....	-	-	-	1,062,806	1,062,806
Center Falls capital.....	-	-	-	507,267	507,267
Conservation fund.....	-	-	-	391,659	391,659
Aberjona River widening.....	-	-	-	302,271	302,271
Sale of land receipts reserved.....	-	-	-	247,561	247,561
SPED Circuit Breaker.....	-	-	-	221,870	221,870
School lunch.....	-	-	-	51,732	51,732
Miscellaneous capital.....	-	-	-	3,537	3,537
General government.....	-	-	-	263,541	263,541
Public safety.....	-	-	-	52,024	52,024
Education.....	-	-	-	497,889	497,889
Public works.....	-	-	-	845,955	845,955
Health and human services.....	-	-	-	133,491	133,491
Culture and recreation.....	-	-	-	662,494	662,494
Sub-total - Restricted.....	891,060	1,428,030	-	6,482,837	8,801,927
Committed to:					
Subsequent year's expenditures.....	1,647,551	-	-	-	1,647,551
Building and capital stabilization.....	4,802,416	-	-	-	4,802,416
Special education stabilization.....	300,298	-	-	-	300,298
Continuing appropriations.....	1,035,389	-	-	-	1,035,389
Sub-total - Committed.....	7,785,654	-	-	-	7,785,654
Assigned to:					
Encumbrances.....	719,278	-	-	-	719,278
Unassigned.....	7,946,671	-	(12,020,000)	(171,640)	(4,244,969)
	<u>\$ 17,342,663</u>	<u>\$ 1,428,030</u>	<u>\$ (12,020,000)</u>	<u>\$ 8,576,779</u>	<u>\$ 15,327,472</u>

NOTE 13 - STABILIZATION FUNDS

The Town maintains the following stabilization funds that were established under MGL Chapter 40, Section 5B:

- Stabilization Fund (general and/or capital purposes)
- Building Renovations/Reconstruction Stabilization Fund
- Capital Improvements Stabilization Fund
- Special Education Stabilization Fund

Appropriations in and out of the stabilization funds require two-thirds vote of Town Meeting. Investment income is retained by the funds.

The balance of the general and/or capital purpose, building renovation, capital stabilization and special education stabilization funds at June 30, 2013 total \$4,204,847, \$3,995,431, \$806,985 and \$300,298, respectively, and are reported in the general fund as unassigned (\$4,204,847) and committed (\$5,102,714) fund balance.

NOTE 14 - PRIOR PERIOD ADJUSTMENTS

The beginning net position of governmental activities, business-type activities and water/sewer enterprise fund and the beginning fund balances of the nonmajor governmental funds have been restated from \$120,108,333, \$13,077,307, \$12,984,135 and \$10,050,914 to \$120,065,668, \$13,119,972, \$13,026,800 and \$10,660,077, respectively, to reflect reclassifications of long-term debt.

The prior period adjustments are summarized as follows:

	Governmental Activities	Business-Type Activities	Water/Sewer Enterprise Fund	Nonmajor Governmental Funds
Net position/fund balance at June 30, 2012 as previously reported.....	\$ 120,108,333	\$ 13,077,307	\$ 12,984,135	\$ 10,050,914
Reclassifications of long-term debt between water/sewer and governmental:				
Reclassifications related to inactive funds.....	(42,665)	42,665	42,665	-
Reclassifications related to active funds.....	-	-	-	609,163
Net position/fund balance at June 30, 2012 as restated.....	<u>\$ 120,065,668</u>	<u>\$ 13,119,972</u>	<u>\$ 13,026,800</u>	<u>\$ 10,660,077</u>

NOTE 15 - PENSION PLAN

Plan Description – The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Winchester Retirement Board. Substantially all employees of the Town are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System.

Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The System provides retirement, disability and death benefits to plan members and beneficiaries. Cost-of-living adjustments granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be authorized by the Winchester Retirement Board and are borne by the System. The System issues a publicly available report in accordance with guidelines established by the Commonwealth's Public Employee Retirement Administration Commission. That report may be obtained by contacting the System located at 71 Mount Vernon Street, Winchester, Massachusetts, 01890.

Plan Membership - At December 31, 2012, the System's membership consists of the following:

Active members.....	366
Inactive members.....	105
Retirees and beneficiaries.....	<u>276</u>
Total.....	<u><u>747</u></u>

Funding Policy - Chapter 32 of MGL governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll.

Contributions are recognized as additions in the period when they become due pursuant to formal commitments, statutory or contractual requirements. Benefits and refunds are recognized as deductions when incurred and administrative expenses are funded through investment earnings.

Annual Pension Cost - The Town's contributions to the System for the fiscal years ended June 30, 2013, 2012, and 2011 were \$3,737,881, \$3,585,742 and \$3,478,451, respectively, which equaled the respective required contributions. The current and two preceding fiscal years apportionment of the annual pension cost between the two employers required the Town to contribute approximately 99% of the total. At June 30, 2013, the Town did not have a net pension obligation. The required contribution was determined as part of the January 1, 2011, actuarial valuation using the entry age normal actuarial cost method.

Funded Status and Funding Progress - The funded status of the plan at January 1, 2011, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/11	\$ 87,706,904	\$ 103,787,043	\$ 16,080,139	84.5%	\$ 17,195,132	93.5%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL for benefits.

Additional information as of the latest actuarial valuation is as follows:

Valuation date:	January 1, 2011
Actuarial cost method:	Entry age normal
Amortization method:	Level
Remaining amortization period:	10 years at January 1, 2011
Asset valuation method:	Actuarial value, 5-year smoothing

Actuarial assumptions:

Investment rate of return:	8.00%
Projected salary increases:	4.75%, 5.00% and 5.25% for groups 1, 2 and 4, respectively
Cost of living adjustments:	3.00% per year of the first \$12,000
Interest rate credited to the annuity savings fund:	3.50% per year

Legally Required Reserve Accounts - The balance in the System's legally required reserves as of December 31, 2012, are as follows:

<u>Description</u>	<u>Amount</u>	<u>Purpose</u>
Annuity Savings Fund.....	\$ 19,805,922	Active members' contribution balance
Annuity Reserve Fund.....	5,013,465	Retired members' contribution account
Military Fund.....	6,239	Military leave of absence contribution balance
Pension Reserve Fund.....	61,950,367	Amounts appropriated to fund future retiremer
Pension Fund.....	<u>877,366</u>	Remaining net assets
Total.....	<u>\$ 87,653,359</u>	

Noncontributory Retirement Allowance - The Town pays the entire retirement allowance for certain retirees who are eligible for noncontributory benefits and are not members of the System. The general fund expenditure for fiscal year 2013 totaled approximately \$27,000.

NOTE 16 - MASSACHUSETTS TEACHERS RETIREMENT SYSTEM

Public school teachers and certain administrators are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$8,015,000 for the fiscal year ended June 30, 2013, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

NOTE 17 - COMMITMENTSWright/Locke Farm

During fiscal year 2008, the Town completed the \$14,000,000 purchase of Wright/Locke Farm (78 Ridge Street and 82 Ridge Street), which is reported as an Asset Held for Resale in the government-wide financial statements. During fiscal years 2008 through 2011, the Town (the "Seller") entered into purchase and sale agreements (including several amendments) to sell Wright/Locke Farm (excluding the historical buildings and raspberry patch located on the property) to a real estate development company (the "Buyer") for \$14,100,000. During fiscal year 2011, the Seller terminated the agreements and amendments with the Buyer due to the Buyer's failure to make its required payments.

In fiscal year 2012, the Town issued a Request for Proposals for the proposed disposition of a portion of Wright/Locke Farm, and all of the proposals received were rejected. In fiscal year 2013, the Board of Selectmen authorized the formation of a working group to establish criteria for the future development at Wright/Locke Farm.

Other

Other significant commitments include the encumbrances and continuing appropriations outstanding for the general fund, which totaled \$1,754,667 at June 30, 2013.

NOTE 18 - CONTINGENCIES

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2013, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2013.

The Town participates in a number of federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2013, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

NOTE 19 - FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

The GASB has issued the following statements:

- Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will significantly impact the basic financial statements.
- Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will impact the basic financial statements.
- Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*, which is required to be implemented during fiscal year 2014. The implementation of this Statement will require expanded note disclosures and required supplementary information.
- Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which is required to be implemented during fiscal year 2015. The implementation of this Statement will represent a significant change in the accounting and reporting of pension expense and the related liability. For the first time, the Town will be required to recognize its long-term obligation for pension benefits as a liability and to more comprehensively measure the annual costs of pension benefits. The implementation of this Statement also expands pension related note disclosures and required supplementary information.
- Statement No. 69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented during fiscal year 2015. Management does not believe the implementation of this Statement will impact the basic financial statements.

- Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, which is required to be implemented during fiscal year 2014. Management does not believe the implementation of this Statement will impact the basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

Required Supplementary Information

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real estate and personal property taxes.....	\$ -	\$ 69,212,214	\$ (303,624)	\$ 68,908,590
Motor vehicle and other excise taxes.....	-	2,930,000	-	2,930,000
Tax liens.....	-	-	-	-
Payments in lieu of taxes.....	-	60,000	-	60,000
Trash disposal.....	-	1,454,000	-	1,454,000
Intergovernmental.....	-	9,235,864	-	9,235,864
Special assessments.....	-	35,500	-	35,500
Penalties and interest on taxes.....	-	170,000	-	170,000
Licenses and permits.....	-	1,365,000	-	1,365,000
Fines and forfeitures.....	-	55,000	-	55,000
Departmental and other.....	-	1,438,000	-	1,438,000
Investment income.....	-	115,000	-	115,000
TOTAL REVENUES.....	-	86,070,578	(303,624)	85,766,954
EXPENDITURES				
Current:				
General government.....	345,733	6,485,413	(264,003)	6,567,143
Public safety.....	10,640	8,146,282	68,001	8,224,923
Education.....	276,013	38,139,154	(100,065)	38,315,102
Public works.....	1,006,259	6,386,342	16,196	7,408,797
Health and human services.....	15,459	513,616	55,000	584,075
Culture and recreation.....	2,708	1,687,991	-	1,690,699
Pension benefits.....	-	3,781,881	-	3,781,881
Employee benefits.....	5,880	11,220,000	240,000	11,465,880
Property and liability insurance.....	-	323,000	-	323,000
State and county charges.....	-	503,413	-	503,413
Debt service:				
Principal.....	-	4,433,647	765,000	5,198,647
Interest.....	-	2,387,174	8,381	2,395,555
TOTAL EXPENDITURES.....	1,662,692	84,007,913	788,510	86,459,115
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	(1,662,692)	2,062,665	(1,092,134)	(692,161)
OTHER FINANCING SOURCES (USES)				
Transfers in.....	-	4,989,107	929,592	5,918,699
Premium from issuance of bonds and notes.....	-	-	-	-
Transfers out.....	-	(11,243,323)	(218,426)	(11,461,749)
TOTAL OTHER FINANCING SOURCES (USES).....	-	(6,254,216)	711,166	(5,543,050)
NET CHANGE IN FUND BALANCE.....	(1,662,692)	(4,191,551)	(380,968)	(6,235,211)
FUND BALANCE AT BEGINNING OF YEAR.....	10,479,274	10,479,274	10,479,274	10,479,274
FUND BALANCE AT END OF YEAR.....	\$ 8,816,582	\$ 6,287,723	\$ 10,098,306	\$ 4,244,063

See notes to required supplementary information.

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$ 68,988,021	\$ -	\$ 68,988,021	\$ 79,431
3,109,719	-	3,109,719	179,719
-	-	-	-
123,532	-	123,532	63,532
1,462,756	-	1,462,756	8,756
9,396,977	-	9,396,977	161,113
32,468	-	32,468	(3,032)
215,912	-	215,912	45,912
1,253,540	-	1,253,540	(111,460)
47,116	-	47,116	(7,884)
1,584,415	-	1,584,415	146,415
68,886	-	68,886	(46,114)
<u>86,283,342</u>	<u>-</u>	<u>86,283,342</u>	<u>516,388</u>
5,987,761	298,909	6,286,670	280,473
8,061,895	56,840	8,118,735	106,188
37,710,166	599,884	38,310,050	5,052
6,279,912	796,674	7,076,586	332,211
549,900	958	550,858	33,217
1,626,664	9	1,626,673	64,026
3,764,708	-	3,764,708	17,173
11,020,049	1,393	11,021,442	444,438
301,797	-	301,797	21,203
500,413	-	500,413	3,000
5,198,647	-	5,198,647	-
2,394,555	-	2,394,555	1,000
<u>83,396,467</u>	<u>1,754,667</u>	<u>85,151,134</u>	<u>1,307,981</u>
<u>2,886,875</u>	<u>(1,754,667)</u>	<u>1,132,208</u>	<u>1,824,369</u>
5,920,807	-	5,920,807	2,108
105,705	-	105,705	105,705
<u>(11,461,749)</u>	<u>-</u>	<u>(11,461,749)</u>	<u>-</u>
<u>(5,435,237)</u>	<u>-</u>	<u>(5,435,237)</u>	<u>107,813</u>
(2,548,362)	(1,754,667)	(4,303,029)	1,932,182
<u>10,479,274</u>	<u>10,479,274</u>	<u>10,479,274</u>	<u>-</u>
<u>\$ 7,930,912</u>	<u>\$ 8,724,607</u>	<u>\$ 6,176,245</u>	<u>\$ 1,932,182</u>

PENSION PLAN SCHEDULES

The following schedules provide information related to the System as a whole, for which the Town is one participating employer:

SCHEDULES OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/11	87,706,904	103,787,043	16,080,139	84.5%	17,195,132	93.5%
01/01/09	74,020,553	97,377,892	23,357,339	76.0%	16,879,293	138.4%
01/01/07	73,230,482	89,817,508	16,587,026	81.5%	15,863,491	104.6%
01/01/05	62,508,562	82,704,690	20,196,128	75.6%	14,092,068	143.3%
01/01/03	56,841,465	72,026,915	15,185,450	78.9%	13,361,418	113.7%
01/01/01	55,668,572	62,489,235	6,820,663	89.1%	12,543,350	54.4%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31	Annually Required Contributions (ARC)	Percentage of ARC Contributed (%)
2012	\$ 3,777,163	100
2011	3,623,792	100
2010	3,515,362	100
2009	3,323,793	100
2008	3,227,543	100
2007	3,100,000	100

The following schedule provides information related to the Town’s portion of the System’s ARC:

TOWN SHARE OF SYSTEM ARC

Fiscal Year Ended	ARC	Percentage of ARC Contributed (%)	Town ARC as a Percentage of System ARC (%)
2013	\$ 3,737,881	100	99.0
2012	3,585,742	100	98.9
2011	3,478,451	100	99.0
2010	3,291,220	100	99.0
2009	3,185,739	100	98.7
2008	3,063,805	100	98.8

OTHER POST EMPLOYMENT BENEFITS SCHEDULE

The following schedule provides information related to the Town's other post employment benefits plan:

SCHEDULES OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
06/30/13	\$ -	\$ 60,106,276	\$ 60,106,276	0.0%	\$ 44,699,816	134.5%
07/01/10	-	93,333,604	93,333,604	0.0%	42,210,838	221.1%
07/01/08	-	110,278,479	110,278,479	0.0%	37,723,250	292.3%

The significant changes to the methods and assumptions used in the actuarial valuations identified above that impacted trends in the schedules of funding progress are as follows:

- The 07/01/10 valuation reflects the Town's adoption of Massachusetts General Laws Chapter 32B, Section 18, which shifted certain other postemployment benefits costs from the Town to a Medicare extension program
- The 07/01/10 valuation reflects the Town's favorable claims experience during the period between the 07/01/08 valuation and the 07/01/10 valuation
- The 06/30/13 valuation reflects the Town's favorable claims experience during the period between the 07/01/10 valuation and the 06/30/13 valuation
- The 06/30/13 valuation reflects decreases in healthcare cost trend rates compared to the 07/01/10 valuation
- The 06/30/13 valuation reflects the expected change in the Town's health insurance contribution rate to 50% for all health plans effective as of July 1, 2014

NOTE A - BUDGETARY - GAAP RECONCILIATION

For budgetary financial reporting purposes, the Uniform Massachusetts Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2013, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 86,283,342	\$ 85,151,134	\$ (5,435,237)
<u>Reclassifications</u>			
Activity of stabilization funds recorded in the general fund for GAAP purposes.....	(60,725)	-	2,826,898
Activity of OPEB fund recorded in the general fund for GAAP purposes.....	78,929	-	250,000
Reclassification of employee benefits to enterprise funds.....		(571,795)	(571,795)
<u>Adjustments</u>			
Net change in recording 60-day receipts.....	122,503	-	-
Net change in recording tax refunds payable.....	(2,174)	-	-
To record MTRS on-behalf payments.....	8,015,304	8,015,304	-
Net change in recording short-term interest accrual.....	-	3,575	-
Net change in recording other expenditures.....	-	213,716	-
To record encumbrances and continuing appropriations.....	-	(1,754,667)	-
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	<u>\$ 94,437,179</u>	<u>\$ 91,057,267</u>	<u>\$ (2,930,134)</u>