

**TOWN OF WINCHESTER, MASSACHUSETTS**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2015**

**TOWN OF WINCHESTER, MASSACHUSETTS  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2015**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>3</b>
<b>BASIC FINANCIAL STATEMENTS</b>	<b>12</b>
<b>STATEMENT OF NET POSITION</b>	<b>12</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>13</b>
<b>GOVERNMENT FUNDS – BALANCE SHEET</b>	<b>15</b>
<b>GOVERNMENT FUNDS – STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES</b>	<b>17</b>
<b>RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION</b>	<b>19</b>
<b>RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES</b>	<b>20</b>
<b>PROPRIETARY FUNDS – STATEMENT OF FUND NET POSITION</b>	<b>21</b>
<b>PROPRIETARY FUNDS – STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION</b>	<b>22</b>
<b>PROPRIETARY FUNDS – STATEMENT OF CASH FLOWS</b>	<b>23</b>
<b>FIDUCIARY FUNDS – STATEMENT OF FIDUCIARY NET POSITION</b>	<b>24</b>
<b>FIDUCIARY FUNDS – STATEMENT OF CHANGES IN FIDUCIARY NET POSITION</b>	<b>25</b>
<b>NOTES TO BASIC FINANCIAL STATEMENTS</b>	<b>26</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	<b>73</b>
<b>GENERAL FUND – SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NON-GAAP BUDGETARY BASIS - BUDGET AND ACTUAL</b>	<b>73</b>
<b>PENSION PLAN SCHEDULES</b>	<b>75</b>
<i>Schedule of Changes in Employers' Net Pension Liability and Related Ratios (System)</i> .....	<i>75</i>
<i>Schedule of Employer Contributions (System)</i> .....	<i>76</i>
<i>Schedule of Investment Returns (System)</i> .....	<i>76</i>
<i>Schedule of Town's Proportionate Share of the Net Pension Liability (System)</i> .....	<i>77</i>
<i>Schedule of Town's Contributions (System)</i> .....	<i>77</i>
<i>Schedule of Town's Proportionate Share of the Net Pension Liability (MTRS)</i> .....	<i>77</i>
<i>Schedule of Town's Contributions (MTRS)</i> .....	<i>78</i>
<b>OTHER POSTEMPLOYMENT BENEFITS SCHEDULE</b>	<b>79</b>
<i>Schedule of Funding Progress</i> .....	<i>79</i>
<b>NOTES TO REQUIRED SUPPLEMENTARY INFORMATION</b>	<b>80</b>

## 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, 2015 (except for the Winchester Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2014), 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.

### **Opinion**

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, 2015 (except for the Winchester Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2014), 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 a Matter**

During the fiscal year ended June 30, 2015, the Town adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result of the implementation of GASBS No. 68, the Town reported a restatement for the change in accounting principle (see Note 19). Our auditors' opinion was not modified with respect to the restatement.

### **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 3 through 11) and general fund budgetary comparison and certain pension and other postemployment benefits information (located on pages 73 through 80) 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 February 1, 2016 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.



**CliftonLarsonAllen LLP**

Boston, MA  
February 1, 2016

**TOWN OF WINCHESTER, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

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, 2015.

***Financial Highlights***

- The assets of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$131,569,302 (net position).
- The Town's total net position increased \$8,671,648.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$9,656,860, or 10.4% of total general fund expenditures and transfers out.
- The Town's total outstanding bonded debt increased by \$28,213,223 during the fiscal year. The Town issued/recognized new debt of \$34,348,465 and retired \$6,135,242 of existing debt during the fiscal year. Of the new debt issued/recognized, \$30,030,715 is for the High School construction project, which is excluded from the provisions of Proposition 2<sup>1/2</sup>.

***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, consisting of the following:

1. General Fund – schedule of revenues, expenditures and changes in fund balance – non-GAAP budgetary basis - budget and actual
2. Pension plan schedules
3. Other post employment benefits schedule

**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, liabilities and deferred inflows/outflows with the difference between them 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.).

**TOWN OF WINCHESTER, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

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 activities and recreation activities.

The government-wide financial statements can be found on pages 12-14 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 over 500 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 governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

The governmental funds basic financial statements can be found on pages 15-20 of this report.

#### **Proprietary funds**

The Town maintains one type of proprietary fund representing the Town's enterprise funds.

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

**TOWN OF WINCHESTER, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

The proprietary funds basic financial statements can be found on pages 21-23 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 fiduciary funds basic financial statements can be found on pages 24-25 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 basic financial statements can be found on pages 26-71 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 general fund schedule of revenues, expenditures and changes in fund balance (budget and actual) and certain pension and other post employment benefits information, which can be found on pages 73-80.

**TOWN OF WINCHESTER, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

**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 net position was \$131,569,302 at the close of the fiscal year and is summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2015	2014*	2015	2014*	2015	2014*
<b>Assets</b>						
Current assets.....	\$ 38,084,412	\$ 30,835,784	\$ 5,233,428	\$ 5,200,644	\$ 43,317,840	\$ 36,036,428
Noncurrent assets excluding capital assets).....	23,343,506	23,346,841	-	-	23,343,506	23,346,841
Capital assets (net).....	<u>210,178,636</u>	<u>180,998,459</u>	<u>19,493,638</u>	<u>18,941,026</u>	<u>229,672,274</u>	<u>199,939,485</u>
Total assets.....	<u>271,606,554</u>	<u>235,181,084</u>	<u>24,727,066</u>	<u>24,141,670</u>	<u>296,333,620</u>	<u>259,322,754</u>
<b>Deferred outflows of resources.....</b>	<u>-</u>	<u>7,325</u>	<u>-</u>	<u>13,449</u>	<u>-</u>	<u>20,774</u>
<b>Liabilities</b>						
Current liabilities (excluding debt).....	10,302,197	4,003,748	309,932	276,577	10,612,129	4,280,325
Noncurrent liabilities (excluding debt).....	49,433,016	47,715,057	1,806,503	1,687,122	51,239,519	49,402,179
Current debt.....	13,278,301	21,564,451	1,040,059	1,271,091	14,318,360	22,835,542
Noncurrent debt.....	<u>81,388,413</u>	<u>52,385,999</u>	<u>7,029,669</u>	<u>7,401,978</u>	<u>88,418,082</u>	<u>59,787,977</u>
Total liabilities.....	<u>154,401,927</u>	<u>125,669,255</u>	<u>10,186,163</u>	<u>10,636,768</u>	<u>164,588,090</u>	<u>136,306,023</u>
<b>Deferred inflows of resources.....</b>	<u>169,221</u>	<u>139,851</u>	<u>7,007</u>	<u>-</u>	<u>176,228</u>	<u>139,851</u>
<b>Net Position</b>						
Net investment in capital assets.....	133,498,790	120,564,766	13,542,629	12,360,071	147,041,419	132,924,837
Restricted.....	13,008,974	11,997,893	-	-	13,008,974	11,997,893
Unrestricted.....	<u>(29,472,358)</u>	<u>(23,183,356)</u>	<u>991,267</u>	<u>1,158,280</u>	<u>(28,481,091)</u>	<u>(22,025,076)</u>
Total net position.....	<u>\$ 117,035,406</u>	<u>\$ 109,379,303</u>	<u>\$ 14,533,896</u>	<u>\$ 13,518,351</u>	<u>\$ 131,569,302</u>	<u>\$ 122,897,654</u>

\* As restated (see Note 19)

The largest portion of the Town's net position (\$147,041,419) reflects its net investment in capital assets (e.g., land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles and infrastructure). 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 (\$13,008,974) represents resources that are subject to external restrictions on how they may be used.

Unrestricted net position in the business-type activities of \$991,267 may be used to meet the Town's on-going obligations to citizens and creditors for the Town's water/sewer activities. The Town has no unrestricted net position available for the support of governmental activities. Such resources have been consumed with the recognition of net pension and post retirement benefit liabilities.

**TOWN OF WINCHESTER, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

Changes in Net position

For the fiscal year ended June 30, 2015, the Town's total net position increased \$8,671,648, compared to an increase of \$1,621,519 in the prior fiscal year. These amounts are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2015	2014*	2015	2014*	2015	2014*
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for services.....	\$ 8,701,881	\$ 7,981,764	\$ 6,738,600	\$ 6,649,379	\$ 15,440,481	\$ 14,631,143
Operating grants and contributions.....	17,476,040	22,924,394	4,857	420,503	17,480,897	23,344,897
Capital grants and contributions.....	12,060,111	3,262,032	503,250	-	12,563,361	3,262,032
<i>General Revenues:</i>						
Real estate and personal property taxes.....	74,242,320	71,860,873	-	-	74,242,320	71,860,873
Motor vehicle and other excise taxes.....	3,528,344	3,346,429	-	-	3,528,344	3,346,429
Penalties and interest on taxes.....	275,047	241,483	-	-	275,047	241,483
Payments in lieu of taxes.....	69,134	98,432	-	-	69,134	98,432
Grants and contributions not restricted to specific programs.....	1,806,508	1,793,580	-	-	1,806,508	1,793,580
Unrestricted investment income.....	191,196	91,073	-	-	191,196	91,073
<b>Total revenues.....</b>	<b>118,350,581</b>	<b>111,600,060</b>	<b>7,246,707</b>	<b>7,069,882</b>	<b>125,597,288</b>	<b>118,669,942</b>
<b>Expenses</b>						
General government.....	7,648,738	7,646,432	-	-	7,648,738	7,646,432
Public safety.....	13,146,703	12,751,088	-	-	13,146,703	12,751,088
Education.....	70,237,864	65,867,931	-	-	70,237,864	65,867,931
Public works.....	9,837,881	14,788,814	-	-	9,837,881	14,788,814
Health and human services.....	1,540,077	1,503,176	-	-	1,540,077	1,503,176
Culture and recreation.....	2,667,403	2,801,730	-	-	2,667,403	2,801,730
Debt service - interest.....	2,017,124	2,113,660	-	-	2,017,124	2,113,660
Water/Sewer.....	-	-	8,113,003	7,829,439	8,113,003	7,829,439
Recreation.....	-	-	1,716,847	1,746,153	1,716,847	1,746,153
<b>Total expenses.....</b>	<b>107,095,790</b>	<b>107,472,831</b>	<b>9,829,850</b>	<b>9,575,592</b>	<b>116,925,640</b>	<b>117,048,423</b>
Change in net assets before transfers.....	11,254,791	4,127,229	(2,583,143)	(2,505,710)	8,671,648	1,621,519
Transfers, net.....	(3,598,688)	(3,506,046)	3,598,688	3,506,046	-	-
Change in net position.....	7,656,103	621,183	1,015,545	1,000,336	8,671,648	1,621,519
Net position - beginning of year.....	109,379,303	108,758,120	13,518,351	12,518,015	122,897,654	121,276,135
Net position - end of year.....	\$ 117,035,406	\$ 109,379,303	\$ 14,533,896	\$ 13,518,351	\$ 131,569,302	\$ 122,897,654

\* As restated (see Note 19)

Governmental activities increased the Town's net position by \$7,656,103. In the prior year, governmental activities increased the Town's net position by \$621,183. The key element of this change is an increase in capital grants and contributions of approximately \$8,800,000, primarily from reimbursement grants related to the High School construction project.

Business-type activities increased the Town's net position by \$1,015,545. This is consistent with the prior year increase of \$1,000,336.

**TOWN OF WINCHESTER, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

***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 \$23,714,195, an increase of \$9,176,269 in comparison with the prior year. \$876,071 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable - \$2,346,745
- Restricted - \$12,062,448
- Committed - \$7,667,017
- Assigned - \$761,914

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 \$9,656,860, while total fund balance was \$19,776,573. 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 10.4% of total general fund expenditures and transfers out, while total fund balance represents 21.4% of that same amount.

The fund balance of the Town's general fund increased \$1,544,882 during fiscal year 2015. The Town recognized a positive budget to actual variance (excluding encumbrances and continuing appropriations) totaling approximately \$5,133,000; and used approximately \$3,564,000 of reserves to fund the fiscal year 2015 budget.

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

The fund balance of the school construction fund (capital projects) increased \$3,749,969 during the current fiscal year. The fund recognized \$11,262,975 of intergovernmental revenues and \$30,260,715 of bond and note proceeds. Expenditures totaled \$37,372,540. Transfers out of the fund totaled \$401,181.

The fund balance of the Wright/Locke Farm purchase capital projects fund (major fund) increased \$3,420,000 during the current fiscal year with the recognition of proceeds of bonds and notes. The fund deficit at the end of the year totaled \$8,600,000. Please see Note 7 and Note 20 for further information.

**TOWN OF WINCHESTER, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

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 \$1,307,717. The water/sewer enterprise fund had an increase in net position for the year of \$970,243. Unrestricted net position of the recreation enterprise fund at the end of the year amounted to a deficit of \$316,450. The recreation enterprise fund had an increase in net position for the year of \$45,302. 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 budgeted expenditures (including transfers out) totaled \$98,156,661. During the year, supplemental appropriations totaling \$1,864,558 were authorized. The following table summarizes the increase:

Purpose of Increase	Amount	Funding Source
Capital articles.....	\$ 967,750	Tax levy, fund transfers and unassigned fund balance
Snow and ice.....	310,358	Unassigned fund balance
Energy.....	175,000	Unassigned fund balance
Transfer to workers' compensation reserve....	155,000	Unassigned fund balance
Various operating budget increases.....	81,799	Tax levy and unassigned fund balance
Transfer to cemetery perpetual care.....	66,300	Unassigned fund balance
Water/Sewer subsidy.....	63,351	Tax levy
Winchester Public Schools master plan.....	45,000	Unassigned fund balance
<b>Total increase.....</b>	<b>\$ 1,864,558</b>	

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 \$2,713,000. Encumbrances and continuing appropriations total approximately \$2,420,000 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 \$229,672,274 (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 net increase in the investment in capital assets for the current fiscal year was \$29,732,789 (14.9%).

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

- High School construction in progress (approximately \$31,356,000)
- Various infrastructure improvements (approximately \$2,026,000)

**TOWN OF WINCHESTER, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

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>	
	2015	2014	2015	2014	2015	2014
Land.....	\$ 60,081,516	\$ 60,081,516	\$ -	\$ -	\$ 60,081,516	\$ 60,081,516
Land improvements.....	6,642,228	7,042,163	1,362,392	1,458,049	8,004,620	8,500,212
Buildings and improvements.....	95,120,876	97,640,725	4,665,067	4,513,880	99,785,943	102,154,605
Machinery and equipment.....	1,871,215	1,900,156	508,549	526,201	2,379,764	2,426,357
Vehicles.....	1,326,946	1,145,787	65,213	76,641	1,392,159	1,222,428
Infrastructure.....	8,804,999	7,656,995	11,600,652	11,931,917	20,405,651	19,588,912
Construction in progress.....	36,330,856	5,531,117	1,291,765	434,338	37,622,621	5,965,455
Total capital assets.....	<u>\$ 210,178,636</u>	<u>\$ 180,998,459</u>	<u>\$ 19,493,638</u>	<u>\$ 18,941,026</u>	<u>\$ 229,672,274</u>	<u>\$ 199,939,485</u>

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 \$94,136,442, 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>	
	2015	2014	2015	2014	2015	2014
General obligation bonds....	\$ 86,050,690	\$ 57,230,420	\$ 6,912,025	\$ 7,926,580	\$ 92,962,715	\$ 65,157,000
MWRA notes.....	-	-	1,157,703	746,189	1,157,703	746,189
MWPAT notes.....	16,024	20,030	-	-	16,024	20,030
Total bonds and notes.....	<u>\$ 86,066,714</u>	<u>\$ 57,250,450</u>	<u>\$ 8,069,728</u>	<u>\$ 8,672,769</u>	<u>\$ 94,136,442</u>	<u>\$ 65,923,219</u>

The Town's total bonded debt increased \$28,213,223 (42.8%) during the current fiscal year. The Town issued/recognized new debt of \$34,348,465 and retired \$6,135,242 of existing debt during the fiscal year. The Town's most recent bond ratings from Moody's Investors Services and Standard and Poor's were Aaa.

Additional information on the Town's long-term debt can be found in Note 9 on pages 52 - 56 of this report.

***Economic Factors and Next Year's Budgets and Rates***

The Annual Spring Town Meeting held this past spring approved the fiscal year 2016 Operating Budget of \$105,032,199 which includes the appropriations of the General Fund, appropriations to the Special Article Fund, Building Stabilization Fund, Capital Stabilization Fund, Other Funds and the appropriation to the Water/Sewer and Recreation Enterprise Funds. Also included in the total appropriations is a transfer from the General Fund to the OPEB Trust Fund in the amount of \$350,000, bringing the OPEB Trust Fund balance to approximately \$1,800,000.

The provisions of Proposition 2<sup>1/2</sup> limit the growth of the Town's major source of revenue, property taxes, to an annual increase of 2<sup>1/2</sup> plus a factor for the new construction, unless the voters at an election approve an increase for operating expenses or debt service for a specific project. It is expected that in fiscal year 2016, the revenue collected from taxes will amount to approximately \$76,777,180.

**TOWN OF WINCHESTER, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

Total fiscal year 2015 General Fund budgetary basis revenue and transfers from other funds was \$99,330,751. Property taxes accounted for 75.63%, Motor Vehicle Excise 3.50% and Intergovernmental 10.18% of total General Fund revenue. In fiscal year 2016, State revenue is expected to increase compared to fiscal year 2015. General Fund State reimbursements related to School construction will be \$672,082.

Total fiscal year 2015 General Fund budgetary basis expenditures (including encumbrances and continued appropriations) and transfers to other funds amount to \$100,182,100.

The Town continues to have substantial balances in its Stabilization Funds. The balances at June 30, 2015 in these funds are as follows:

- General/Capital Stabilization Fund - \$4,231,095
- Building Stabilization Fund - \$3,977,120
- Capital Stabilization Fund - \$1,140,771
- Special Education Stabilization Fund - \$301,403

***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.

TOWN OF WINCHESTER, MASSACHUSETTS  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 11,792,732	\$ 1,134,277	\$ 12,927,009
Restricted Cash and Cash Equivalents	12,511,536	2,118,719	14,630,255
Investments	8,582,830	-	8,582,830
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate and Personal Property Taxes	792,342	-	792,342
Tax and Utility Liens	727,274	35,267	762,541
Motor Vehicle and Other Excise Taxes	350,281	-	350,281
User Charges	-	1,945,165	1,945,165
Special Assessments	46	-	46
Department and Other	522,878	-	522,878
Intergovernmental	2,804,493	-	2,804,493
Total Current Assets	<u>38,084,412</u>	<u>5,233,428</u>	<u>43,317,840</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	1,738,143	-	1,738,143
Restricted Investments	4,657,698	-	4,657,698
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate Tax Deferrals	771,747	-	771,747
Intergovernmental	2,162,315	-	2,162,315
Tax Foreclosures	13,603	-	13,603
Assets Held for Resale	14,000,000	-	14,000,000
Capital Assets not being Depreciated	96,412,372	1,291,765	97,704,137
Capital Assets, Net of Accumulated Depreciation	<u>113,766,264</u>	<u>18,201,873</u>	<u>131,968,137</u>
Total Noncurrent Assets	<u>233,522,142</u>	<u>19,493,638</u>	<u>253,015,780</u>
Total Assets	<u>271,606,554</u>	<u>24,727,066</u>	<u>296,333,620</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Warrants Payable	7,480,796	132,971	7,613,767
Accrued Payroll	1,054,073	78,600	1,132,673
Tax Refunds Payable	300,000	-	300,000
Other Liabilities	211,369	-	211,369
Accrued Interest	859,938	92,289	952,227
Workers' Compensation Claims	237,032	-	237,032
Compensated Absences	158,989	6,072	165,061
Short-Term Notes Payable	8,600,000	-	8,600,000
Long-Term Bonds and Notes Payable	4,678,301	1,040,059	5,718,360
Total Current Liabilities	<u>23,580,498</u>	<u>1,349,991</u>	<u>24,930,489</u>
Noncurrent Liabilities:			
Workers' Compensation Claims	79,012	-	79,012
Environmental Remediation	4,200,000	-	4,200,000
Compensated Absences	1,430,898	54,652	1,485,550
Net Pension Liability	18,563,852	772,049	19,335,901
Net OPEB Obligation	25,159,254	979,802	26,139,056
Long-Term Bonds and Notes Payable	<u>81,388,413</u>	<u>7,029,669</u>	<u>88,418,082</u>
Total Noncurrent Liabilities	<u>130,821,429</u>	<u>8,836,172</u>	<u>139,657,601</u>
Total Liabilities	<u>154,401,927</u>	<u>10,186,163</u>	<u>164,588,090</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Taxes Received in Advance	750	-	750
Related to Pensions	168,471	7,007	175,478
Total Deferred Inflows of Resources	<u>169,221</u>	<u>7,007</u>	<u>176,228</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	133,498,790	13,542,629	147,041,419
Restricted for:			
Other Postemployment Benefits	1,482,917	-	1,482,917
Debt Service	207,865	-	207,865
Permanent Funds:			
Expendable	2,766,451	-	2,766,451
Nonexpendable	2,346,745	-	2,346,745
Other Specific Purposes	6,204,996	-	6,204,996
Unrestricted	<u>(29,472,358)</u>	<u>991,267</u>	<u>(28,481,091)</u>
Total Net Position	<u>\$ 117,035,406</u>	<u>\$ 14,533,896</u>	<u>\$ 131,569,302</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF WINCHESTER, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
Governmental Activities:					
General Government	\$ 7,648,738	\$ 666,099	\$ 85,248	\$ -	\$ (6,897,391)
Public Safety	13,146,703	3,323,141	141,058	-	(9,682,504)
Education	70,237,864	2,818,698	16,058,216	11,262,975	(40,097,975)
Public Works	9,837,881	1,749,588	435,895	797,136	(6,855,262)
Health and Human Services	1,540,077	115,368	78,960	-	(1,345,749)
Culture and Recreation	2,667,403	28,987	227,306	-	(2,411,110)
Debt Service-Interest	2,017,124	-	449,357	-	(1,567,767)
Total Governmental Activities	<u>107,095,790</u>	<u>8,701,881</u>	<u>17,476,040</u>	<u>12,060,111</u>	<u>(68,857,758)</u>
Business-Type Activities:					
Water/Sewer	8,113,003	5,107,326	3,426	503,250	(2,499,001)
Recreation	1,716,847	1,631,274	1,431	-	(84,142)
Total Business-Type Activities	<u>9,829,850</u>	<u>6,738,600</u>	<u>4,857</u>	<u>503,250</u>	<u>(2,583,143)</u>
Total Primary Governments	<u>\$ 116,925,640</u>	<u>\$ 15,440,481</u>	<u>\$ 17,480,897</u>	<u>\$ 12,563,361</u>	<u>\$ (71,440,901)</u>

TOWN OF WINCHESTER, MASSACHUSETTS  
STATEMENT OF ACTIVITIES (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>CHANGES IN NET POSITION</b>			
Net (Expense) Revenue (From Previous Page)	\$ (68,857,758)	\$ (2,583,143)	\$ (71,440,901)
General Revenues:			
Real Estate and Personal Property Taxes	74,242,320	-	74,242,320
Motor Vehicle and Other Excise Taxes	3,528,344	-	3,528,344
Penalties and Interest on Taxes	275,047	-	275,047
Payments in Lieu of Taxes	69,134	-	69,134
Grants and Contributions not Restricted to Specific Programs	1,806,508	-	1,806,508
Unrestricted Investment Income	191,196	-	191,196
Transfers, Net	<u>(3,598,688)</u>	<u>3,598,688</u>	<u>-</u>
Total General Revenues and Transfers	<u>76,513,861</u>	<u>3,598,688</u>	<u>80,112,549</u>
<b>CHANGE IN NET POSITION</b>	7,656,103	1,015,545	8,671,648
Net Position - Beginning of Year (As Restated)	<u>109,379,303</u>	<u>13,518,351</u>	<u>122,897,654</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 117,035,406</u>	<u>\$ 14,533,896</u>	<u>\$ 131,569,302</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF WINCHESTER, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2015

<b>ASSETS</b>	<u>General</u>	<u>School Construction</u>	<u>Wright/Locke Farm Purchase</u>
Cash and Cash Equivalents	\$ 11,792,732	\$ -	\$ -
Investments	8,582,830	-	-
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate and Personal Property Taxes	792,342	-	-
Real Estate Tax Deferrals	771,747	-	-
Tax Liens	727,274	-	-
Motor Vehicle and Other Excise taxes	350,281	-	-
Special Assessments	46	-	-
Departmental and Other	351,109	-	-
Intergovernmental	2,773,573	1,602,569	-
Tax Foreclosures	13,603	-	-
Restricted Assets:			
Cash and Cash Equivalents	1,690,782	5,937,955	-
Investments	-	-	-
Total Assets	<u>\$ 27,846,319</u>	<u>\$ 7,540,524</u>	<u>\$ -</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Warrants Payable	\$ 854,470	\$ 6,290,576	\$ -
Accrued Payroll	996,172	844	-
Tax Refunds Payable	300,000	-	-
Other Liabilities	23,388	-	-
Accrued Short-Term Interest	210,245	-	-
Workers' Compensation Claims	316,044	-	-
Short-Term Notes Payable	-	-	8,600,000
Total Liabilities	<u>2,700,319</u>	<u>6,291,420</u>	<u>8,600,000</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Taxes Received in Advance	750	-	-
Unavailable Revenue	5,368,677	-	-
Total Deferred Inflows of Resources	<u>5,369,427</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	1,690,782	1,249,104	-
Committed	7,667,017	-	-
Assigned	761,914	-	-
Unassigned	9,656,860	-	(8,600,000)
Total Fund Balances	<u>19,776,573</u>	<u>1,249,104</u>	<u>(8,600,000)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 27,846,319</u>	<u>\$ 7,540,524</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements.

		<hr/>	
	Nonmajor Governmental Funds		Total Governmental Funds
	<u>          </u>		<u>          </u>
\$	-	\$	11,792,732
	-		8,582,830
	-		792,342
	-		771,747
	-		727,274
	-		350,281
	-		46
	171,769		522,878
	590,666		4,966,808
	-		13,603
	6,620,942		14,249,679
	<u>4,657,698</u>		<u>4,657,698</u>
\$	<u>12,041,075</u>	\$	<u>47,427,918</u>

\$	335,750	\$	7,480,796
	57,057		1,054,073
	-		300,000
	187,981		211,369
	-		210,245
	-		316,044
	-		<u>8,600,000</u>
	<u>580,788</u>		<u>18,172,527</u>
	-		750
	<u>171,769</u>		<u>5,540,446</u>
	<u>171,769</u>		<u>5,541,196</u>
	2,346,745		2,346,745
	9,122,562		12,062,448
	-		7,667,017
	-		761,914
	<u>(180,789)</u>		<u>876,071</u>
	<u>11,288,518</u>		<u>23,714,195</u>
\$	<u>12,041,075</u>	\$	<u>47,427,918</u>

TOWN OF WINCHESTER, MASSACHUSETTS  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General	School Construction	Wright/Locke Farm Purchase
<b>REVENUES</b>			
Real Estate and Personal Property Taxes	\$ 74,050,193	\$ -	\$ -
Motor Vehicle and Other Excise Taxes	3,477,144	-	-
Tax Liens	41,461	-	-
Payments in Lieu of Taxes	69,134	-	-
Charges for Services	-	-	-
Trash Disposal	1,354,354	-	-
Intergovernmental	10,116,267	11,262,975	-
Special Assessments	27,146	-	-
Penalties and Interest on Taxes	275,044	-	-
Licenses and Permits	1,511,224	-	-
Fines and Forfeitures	34,217	-	-
Departmental and Other	1,468,936	-	-
Contributions	-	-	-
Investment Income	215,048	-	-
	<u>92,640,168</u>	<u>11,262,975</u>	<u>-</u>
<b>Total Revenues</b>			
<b>EXPENDITURES</b>			
Current:			
General Government	6,446,001	-	-
Public Safety	8,802,744	-	-
Education	40,992,500	37,372,540	-
Public Works	7,074,399	-	-
Health and Human Services	678,024	-	-
Culture and Recreation	1,767,862	-	-
Pension Benefits	3,769,216	-	-
Employee Benefits	10,153,845	-	-
Property and Liability Insurance	338,161	-	-
State and County Charges	576,492	-	-
Debt Service:			
Principal	4,864,451	-	-
Interest	2,124,373	-	-
	<u>87,588,068</u>	<u>37,372,540</u>	<u>-</u>
<b>Total Expenditures</b>			
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>5,052,100</u>	<u>(26,109,565)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds of Bonds and Notes	-	30,260,715	3,420,000
Premium from Issuance of Bonds and Notes	209,738	-	-
Transfers In	1,317,210	-	-
Transfer Out	(5,034,166)	(401,181)	-
	<u>(3,507,218)</u>	<u>29,859,534</u>	<u>3,420,000</u>
<b>Total Other Financing Sources (Uses)</b>			
<b>NET CHANGE IN FUND BALANCES</b>	1,544,882	3,749,969	3,420,000
Fund Balances - Beginning of Year	<u>18,231,691</u>	<u>(2,500,865)</u>	<u>(12,020,000)</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 19,776,573</u>	<u>\$ 1,249,104</u>	<u>\$ (8,600,000)</u>

The accompanying notes are an integral part of the financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 74,050,193
-	3,477,144
-	41,461
-	69,134
2,150,006	2,150,006
-	1,354,354
3,624,502	25,003,744
-	27,146
-	275,044
296,405	1,807,629
-	34,217
1,762,733	3,231,669
1,013,168	1,013,168
83,989	299,037
<u>8,930,803</u>	<u>112,833,946</u>
101,272	6,547,273
1,491,019	10,293,763
5,731,984	84,097,024
1,453,216	8,527,615
114,869	792,893
96,474	1,864,336
-	3,769,216
-	10,153,845
-	338,161
-	576,492
-	4,864,451
-	2,124,373
<u>8,988,834</u>	<u>133,949,442</u>
<u>(58,031)</u>	<u>(21,115,496)</u>
-	33,680,715
-	209,738
968,476	2,285,686
<u>(449,027)</u>	<u>(5,884,374)</u>
<u>519,449</u>	<u>30,291,765</u>
461,418	9,176,269
<u>10,827,100</u>	<u>14,537,926</u>
\$ <u><u>11,288,518</u></u>	\$ <u><u>23,714,195</u></u>

TOWN OF WINCHESTER, MASSACHUSETTS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015

---

Total Governmental Fund Balances (Page 16)	\$	23,714,195
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		210,178,636
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 reported as deferred inflows of resources in the governmental funds		5,540,446
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		(649,693)
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		(86,066,714)
Environmental Remediation		(4,200,000)
Compensated Absences		(1,589,887)
Net Pension Liability		(18,563,852)
Net OPEB Obligation		(25,159,254)
In the statement of net position, deferred inflows of resources are reported for amounts related to pensions		<u>(168,471)</u>
Net Position of Governmental Activities (Page 12)	\$	<u><u>117,035,406</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN OF WINCHESTER, MASSACHUSETTS  
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, 2015

---

Net Change in Fund Balances - Total Governmental Funds (Page 18) \$ 9,176,269

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.

Capital Outlays	34,221,663
Depreciation	(5,002,556)

In the statement of activities, the loss on the disposals of capital assets is reported, whereas in the governmental funds the disposals 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 (38,930)

Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources in the governmental funds. 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 inflows of resources. (115,633)

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 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.

Proceeds of Bonds	(33,680,715)
Bond Maturities	4,864,451
Amortization of Deferred Losses on Refundings	(7,325)

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 114,574

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:

Compensated Absences	522
Net Pension Liability	1,322,608
Net OPEB Obligation	(3,030,354)

In the statement of activities, deferred inflows related to pensions are amortized and recognized as pension expense. This amount represents the net change in deferred inflows related to pensions. (168,471)

Changes in Net Position of Governmental Activities (Page 14) \$ 7,656,103

The accompanying notes are an integral part of the financial statements.

TOWN OF WINCHESTER, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF FUND NET POSITION  
 JUNE 30, 2015

	Business-Type Activities - Enterprise Funds		
	Water/ Sewer	Recreation (Nonmajor)	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 852,318	\$ 281,959	\$ 1,134,277
Restricted Cash and Cash Equivalents	2,118,719	-	2,118,719
Receivables, Net of Allowance for Uncollectible Amounts:			
Utility Liens	35,267	-	35,267
User Charges	1,945,165	-	1,945,165
Total Current Assets	<u>4,951,469</u>	<u>281,959</u>	<u>5,233,428</u>
Noncurrent Assets:			
Capital Assets not being Depreciated	1,291,765	-	1,291,765
Capital Assets, Net of Accumulated Depreciation	18,196,832	5,041	18,201,873
Total Noncurrent Assets	<u>19,488,597</u>	<u>5,041</u>	<u>19,493,638</u>
Total Assets	<u>24,440,066</u>	<u>287,000</u>	<u>24,727,066</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Warrants Payable	112,495	20,476	132,971
Accrued Payroll	32,690	45,910	78,600
Accrued Interest	92,289	-	92,289
Compensated Absences	6,072	-	6,072
Long-Term Bonds and Notes Payable	1,040,059	-	1,040,059
Total Current Liabilities	<u>1,283,605</u>	<u>66,386</u>	<u>1,349,991</u>
Noncurrent Liabilities:			
Compensated Absences	54,652	-	54,652
Net Pension Liability	515,443	256,606	772,049
Net OPEB Obligation	706,714	273,088	979,802
Long-Term Bonds and Notes Payable	7,029,669	-	7,029,669
Total Noncurrent Liabilities	<u>8,306,478</u>	<u>529,694</u>	<u>8,836,172</u>
Total Liabilities	<u>9,590,083</u>	<u>596,080</u>	<u>10,186,163</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to Pensions	<u>4,678</u>	<u>2,329</u>	<u>7,007</u>
<b>FUND NET POSITION</b>			
Net Investment in Capital Assets	13,537,588	5,041	13,542,629
Unrestricted	<u>1,307,717</u>	<u>(316,450)</u>	<u>991,267</u>
Total Net Position	<u>\$ 14,845,305</u>	<u>\$ (311,409)</u>	<u>\$ 14,533,896</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF WINCHESTER, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Business-Type Activities - Enterprise Funds		
	Water/ Sewer	Recreation (Nonmajor)	Total
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 5,082,204	\$ 1,631,274	\$ 6,713,478
Penalties and Interest	25,122	-	25,122
Total Operating Revenues	<u>5,107,326</u>	<u>1,631,274</u>	<u>6,738,600</u>
<b>OPERATING EXPENSES</b>			
Cost of Service and Administration	2,126,612	1,704,965	3,831,577
MWRA Assessment	5,121,132	-	5,121,132
Depreciation	648,280	11,882	660,162
Total Operating Expenses	<u>7,896,024</u>	<u>1,716,847</u>	<u>9,612,871</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(2,788,698)</u>	<u>(85,573)</u>	<u>(2,874,271)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment Income	3,426	1,431	4,857
Interest Expense	(216,979)	-	(216,979)
Total Nonoperating Revenues (Expenses), Net	<u>(213,553)</u>	<u>1,431</u>	<u>(212,122)</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<u>(3,002,251)</u>	<u>(84,142)</u>	<u>(3,086,393)</u>
Capital Contributions	503,250	-	503,250
Transfers In	4,552,273	212,166	4,764,439
Transfers Out	(1,083,029)	(82,722)	(1,165,751)
Total Capital Contributions and Transfers	<u>3,972,494</u>	<u>129,444</u>	<u>4,101,938</u>
<b>CHANGE IN FUND NET POSITION</b>	970,243	45,302	1,015,545
Fund Net Position - Beginning of Year (As Restated)	<u>13,875,062</u>	<u>(356,711)</u>	<u>13,518,351</u>
<b>FUND NET POSITION - END OF YEAR</b>	<u>\$ 14,845,305</u>	<u>\$ (311,409)</u>	<u>\$ 14,533,896</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF WINCHESTER, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Business-Type Activities - Enterprise Funds		
	Water/ Sewer	Recreation (Nonmajor)	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers and Users	\$ 5,017,625	\$ 1,631,274	\$ 6,648,899
Payments to Vendors	(6,003,567)	(671,487)	(6,675,054)
Payments to Employees	(1,084,050)	(995,938)	(2,079,988)
Net Cash Provided by Operating Activities	<u>(2,069,992)</u>	<u>(36,151)</u>	<u>(2,106,143)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers In	4,552,273	212,166	4,764,439
Transfers Out	(1,083,029)	(82,722)	(1,165,751)
Net Cash Provided by Noncapital Financing Activities	<u>3,469,244</u>	<u>129,444</u>	<u>3,598,688</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from the Issuance of Bonds and Notes	667,750	-	667,750
Capital Contributions (MWRA Grant)	503,250	-	503,250
Acquisition and Construction of Capital Assets	(1,212,774)	-	(1,212,774)
Principal Payments on Bonds and Notes	(1,271,091)	-	(1,271,091)
Interest Paid	(241,454)	-	(241,454)
Net Cash Used by Capital and Related Financing Activities	<u>(1,554,319)</u>	<u>-</u>	<u>(1,554,319)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment Income	3,426	1,431	4,857
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>(151,641)</u>	<u>94,724</u>	<u>(56,917)</u>
Cash and Cash Equivalents at Beginning of Year (includes \$2,092,114 reported as restricted in Water/Sewer)	<u>3,122,678</u>	<u>187,235</u>	<u>3,309,913</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b> (includes \$2,118,719 reported as restricted in Water/Sewer)	<u>\$ 2,971,037</u>	<u>\$ 281,959</u>	<u>\$ 3,252,996</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ (2,788,698)	\$ (85,573)	\$ (2,874,271)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Changes in Assets and Liabilities not Requiring Current Cash Flows:			
Depreciation	648,280	11,882	660,162
Net Pension Liability and Deferred Outflows/Inflows	(32,046)	(15,953)	(47,999)
Net OPEB Obligation	121,557	48,622	170,179
Effect of Changes in Operating Assets and Liabilities:			
Utility Liens	13,883		13,883
User Charges	(103,584)	-	(103,584)
Warrants Payable	59,890	3,639	63,529
Accrued Payroll	6,052	1,232	7,284
Compensated Absences	4,674	-	4,674
Total Adjustments	<u>718,706</u>	<u>49,422</u>	<u>768,128</u>
Net Cash Provided by Operating Activities	<u>\$ (2,069,992)</u>	<u>\$ (36,151)</u>	<u>\$ (2,106,143)</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF WINCHESTER, MASSACHUSETTS  
 FIDUCIARY FUNDS  
 STATEMENT OF FIDUCIARY NET POSITION  
 JUNE 30, 2015

	Pension Trust Fund (As of 12/31/14)	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,242,014	\$ 42,246	\$ 874,557
Investments	101,446,400	666,659	-
Receivables, Net of Allowance for Uncollectible Amounts:			
Departmental and Other	6,383	-	-
Total Assets	103,694,797	708,905	874,557
<b>LIABILITIES</b>			
Warrants Payable	429	14	38,468
Other Liabilities	-	-	807,967
Liabilities Due Depositors	-	-	28,122
Total Liabilities	429	14	\$ 874,557
<b>NET POSITION</b>			
Net Position Restricted for Pension and Other Purposes	\$ 103,694,368	\$ 708,891	

The accompanying notes are an integral part of the financial statements.

TOWN OF WINCHESTER, MASSACHUSETTS  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Pension Trust Fund (As of 12/31/14)	Private Purpose Trust Funds
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 3,906,569	\$ -
Plan Members	1,822,431	-
Total Contributions	<u>5,729,000</u>	<u>-</u>
Net Investment Income:		
Net Appreciation in Fair Value of Investments	7,018,817	(10,669)
Interest	951,779	11,078
Total Investment Income	<u>7,970,596</u>	<u>409</u>
Less: Investment Expense	<u>(268,565)</u>	<u>-</u>
Net Investment Income	<u>7,702,031</u>	<u>409</u>
Other	<u>303,976</u>	<u>-</u>
Total Additions	<u>13,735,007</u>	<u>409</u>
<b>DEDUCTIONS</b>		
Administration	67,923	-
Retirement Benefits and Refunds	6,639,000	-
Transfers to Other Systems	552,520	-
Scholarships Awarded	-	20,463
Total Deductions	<u>7,259,443</u>	<u>20,463</u>
<b>CHANGE IN NET POSITION</b>	6,475,564	(20,054)
Net Position - Beginning of Year	<u>97,218,804</u>	<u>728,945</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 103,694,368</u>	<u>\$ 708,891</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**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.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Reporting Entity (Continued)**

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 2015 assessment totaled approximately \$156,000. 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 ended June 30, 2015, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*

The implementation of GASB Statement No. 68 resulted in the recognition of the long-term obligation for pension benefits as a liability and expanded pension related note disclosures and required supplementary information.

The implementation of GASB Statement No.'s 69 and 71 had no reporting impact for the Town.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Government-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 is restricted to meeting the operational requirements of a specific function or segment.
- Grants and contributions that is restricted to meeting the capital requirements of a specific function or segment.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)**

Government-Wide Financial Statements (Continued)

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 20).

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)**

Fund Financial Statements (Continued)

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.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)**

Fund Financial Statements (Continued)

**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.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Deposits and Investments (Continued)**

Alternative Investments

Alternative investments are recorded at fair value based on market values provided by investment 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 1<sup>st</sup> of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. The tax year is from July 1 to June 30. Tax bills are sent on July 1<sup>st</sup>, October 1<sup>st</sup>, January 1<sup>st</sup> and April 1<sup>st</sup> and due on August 1<sup>st</sup>, November 1<sup>st</sup>, February 1<sup>st</sup> and May 1<sup>st</sup> 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.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Accounts Receivable (Continued)**

Government-Wide and Fund Financial Statements (Continued)

**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**

Government-Wide and Fund Financial Statements

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.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Inventories**

Government-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 Assets**

Government-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 Assets**

Government-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.....	5-10	5,000
Infrastructure.....	20-60	50,000

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Capital Assets (Continued)**

Government-Wide and Proprietary Fund Financial Statements (Continued)

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.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. Deferred Outflows of Resources**

Government-Wide and Fund Financial Statements

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

The Town has no items that qualify for reporting in this category.

**O. Deferred Inflows of Resources**

Government-Wide and Fund Financial Statements

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Town has three items that qualify for reporting in this category. They are as follows:

- Taxes received in advance are reported in the government-wide statement of net position and the governmental funds balance sheet. Taxes received in advance represent amounts collected in the current fiscal year that apply to the subsequent fiscal year's tax levy.
- Unavailable revenue is reported in the governmental funds balance sheet. Unavailable revenue 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.
- Related to pensions are reported in the government-wide statement of net position. They represent deferred inflows of resources as defined and identified in GASB Statement No. 68.

**P. 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 has been "restricted" for the following:

*Other postemployment benefits* (OPEB) represent 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.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**P. Net Position and Fund Balances (Continued)**

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

*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* represent 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.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**P. Net Position and Fund Balances (Continued)**

Governmental Funds Financial Statements (Fund Balances) (Continued)

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 six percent of its total general fund revenues. The Town considers its operating reserves to consist of undesignated fund balance of the general fund (as defined by the Uniform Massachusetts Accounting System basis of accounting established by the Commonwealth) and the general stabilization fund balance.

**Q. 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.

**R. Investment Income**

Government-Wide and Fund Financial Statements

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.

**S. Compensated Absences**

Government-Wide and Proprietary Fund Financial Statements

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

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

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**S. Compensated Absences (Continued)**

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.

**T. Pensions**

Government-Wide and Proprietary Fund Financial Statements

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**U. Other Post-Employment 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.

**V. 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.

**W. 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.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**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 and in some instances 2/3rds 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 2015 approved budget for the general fund authorized \$98,156,661 in appropriations. During fiscal year 2015, supplemental appropriations totaling \$1,864,558 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, 2015, the following fund deficits exist:

Fund	Amount	Funding Source
Wright/Locke Farm Purchase (major fund).....	\$ 8,600,000 *	Proceeds from sale of land
Special Duty Details.....	180,789	User charges and available funds

\*See Note 20

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**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, 2015, \$13,981,210 of the Town's bank balance of \$18,830,839 was uninsured and uncollateralized.

Investments Summary

The Town's investments at June 30, 2015 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.....	\$ 659,379	\$ 104,195	406,332	83,680	65,172
U.S. Agencies.....	265,241	-	-	265,241	-
Corporate bonds.....	179,022	179,022	-	-	-
Money market mutual funds.....	668,035	668,035	-	-	-
Certificates of deposit.....	7,124,420	3,545,807	2,548,964	597,440	432,208
Fixed income securities.....	65,767	-	-	20,703	45,064
External investment pools.....	12,225,470	12,225,470	-	-	-
Total debt securities.....	21,187,334	\$ 16,722,529	\$ 2,955,296	\$ 967,064	\$ 542,444
<u>Other Investments:</u>					
Equity securities.....	3,626,197				
Equity mutual funds.....	2,442,741				
Total other investments.....	6,068,937				
Total investments.....	\$ 27,256,271				

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

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, 2015, 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's policy for trust fund investments is that municipal and corporate debt securities shall be rated no less than "A" by at least one nationally recognized bond rating service at the time of purchase. The Town's policy for all other investments in debt securities is to comply with the provisions of Massachusetts General Laws Chapter 44. As of June 30, 2015, 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	AA-	BBB+	Unrated
U.S. Agencies.....	\$ 265,241	\$ 265,241	\$ -	\$ -	\$ -	\$ -
Corporate bonds.....	179,022	-	-	-	179,022	-
Money market mutual funds...	668,035	-	-	-	-	668,035
Certificates of deposit.....	7,124,420	-	-	-	-	7,124,420
Fixed income securities.....	65,767	-	43,486	22,281	-	-
External investment pools.....	12,225,470	-	-	-	-	12,225,470
<b>Total.....</b>	<b>\$ 20,527,955</b>	<b>\$ 265,241</b>	<b>\$ 43,486</b>	<b>\$ 22,281</b>	<b>\$ 179,022</b>	<b>\$ 20,017,925</b>

(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.

A portion of the System's investments include participation 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.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

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, 2014, the System was not exposed to custodial credit risk.

Investment Summary

The System's investments at December 31, 2014 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.....	\$ 2,217,131	\$ 2,217,131
Mutual bond funds.....	17,447,258	17,447,258
External investment pools.....	<u>20,924,837</u>	<u>20,924,837</u>
 Total debt securities.....	 <u>40,589,226</u>	 <u>\$ 40,589,226</u>
<u>Other Investments:</u>		
Equity mutual funds.....	55,857,592	
Real estate investments.....	2,238,987	
Alternative investments.....	<u>4,977,726</u>	
 Total other investments.....	 <u>63,074,305</u>	
 Total investments.....	 <u>\$ 103,663,531</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.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

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, 2014, \$2,238,987 of real estate investments within the System's investments of \$103,663,531 was uninsured, not registered in the name of the System and exposed to custodial credit risk due to being held by a counterparty's trust or agent.

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, 2014, 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.....	\$ -	\$ 10,175,241	\$ -	\$ 10,175,241
AA.....	-	833,979	-	833,979
A.....	-	2,826,456	-	2,826,456
BB.....	-	1,745	-	1,745
Below B.....	-	326,264	-	326,264
Unrated.....	<u>2,217,131</u>	<u>3,283,573</u>	<u>20,924,837</u>	<u>26,425,541</u>
Total.....	<u>\$ 2,217,131</u>	<u>\$ 17,447,258</u>	<u>\$ 20,924,837</u>	<u>\$ 40,589,226</u>

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

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

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, 2014, the System's exposure to foreign currency risk is as follows:

Investment Type	U.S. Dollar Balances	Currency
Equity mutual funds.....	\$ 5,009,373	Euro
Equity mutual funds.....	3,497,873	Japanese Yen
Equity mutual funds.....	3,476,075	British Pound
Equity mutual funds.....	1,534,626	Swiss Franc
Equity mutual funds.....	1,237,069	Australian Dollar
Equity mutual funds.....	975,772	Chinese Yuan
Equity mutual funds.....	655,283	Korean won
Equity mutual funds.....	563,817	New Taiwan Dollar
Equity mutual funds.....	513,751	Hong Kong Dollar
Equity mutual funds.....	507,691	Swedish Krona
Equity mutual funds.....	396,292	Brazilian Real
Equity mutual funds.....	352,287	South African Rand
Equity mutual funds.....	319,236	Indian Rupee
Equity mutual funds.....	258,216	Singapore Dollar
Equity mutual funds.....	249,560	Danish Krone
Equity mutual funds.....	220,213	Mexican Peso
Equity mutual funds.....	160,995	Malaysian Ringgit
Equity mutual funds.....	142,753	Russian Ruble
Equity mutual funds.....	123,658	Indonesian Rupiah
Equity mutual funds.....	108,072	Thai Baht
Equity mutual funds.....	107,230	Norwegian Krone
Equity mutual funds.....	95,223	Israeli New Sheqel
Equity mutual funds.....	80,839	Turkish Lira
Equity mutual funds.....	70,746	Polish Zloty
Equity mutual funds.....	63,780	Chilean Peso
Equity mutual funds.....	57,211	Philippine Peso
Equity mutual funds.....	39,603	Qatari Rial
Equity mutual funds.....	35,972	Colombian Peso
Equity mutual funds.....	28,877	United Arab Emirates Dirhai
Equity mutual funds.....	26,149	New Zealand Dollar
Equity mutual funds.....	20,380	Peruvian Nuevo Sol
Equity mutual funds.....	11,051	Egyptian Pound
Equity mutual funds.....	9,518	Czech Republic Koruna
Equity mutual funds.....	8,229	Hungarian Forint
Total.....	<u>\$ 20,957,420</u>	

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4 ACCOUNTS RECEIVABLE**

At June 30, 2015 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.....	\$ 792,342	\$ -	\$ 792,342
Real estate tax deferrals.....	771,747	-	771,747
Tax liens.....	727,274	-	727,274
Motor vehicle and other excise taxes.....	548,846	(198,565)	350,281
Special assessments.....	46	-	46
Departmental and other.....	794,419	(265,158)	529,261
Intergovernmental.....	4,966,808		4,966,808
Total.....	\$ 8,601,482	\$ (463,723)	\$ 8,137,759

At June 30, 2015, receivables for the water/sewer enterprise fund consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
User charges.....	\$ 1,945,165	\$ -	\$ 1,945,165
Utility liens.....	35,267	-	35,267
Total.....	\$ 1,980,432	\$ -	\$ 1,980,432

**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 2015, \$672,082 of such assistance was received and is reported as revenue in the General Fund major governmental fund's financial statements. Approximately \$4,032,000 will be received in future fiscal years. Of this amount, approximately \$1,437,000 represents reimbursement of long-term interest costs, and approximately \$2,594,000 represents reimbursement of approved construction costs. Accordingly, a \$2,594,000 intergovernmental receivable and corresponding deferred inflow have been reported in the General Fund major governmental fund's financial statements. The unavailable revenue has been recognized as revenue in the conversion to the government-wide financial statements.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 4 ACCOUNTS RECEIVABLE (CONTINUED)**

**Winchester High School**

The MSBA provides grants to the Town for the Winchester High School construction project. Town Meeting authorized feasibility and construction costs of \$129,923,146, which includes approximately \$31,800,000 of costs that are considered excludable in accordance with MSBA's reimbursement policy. The MSBA approved a maximum grant totaling approximately \$42,100,000 representing 42.92% of the MSBA allowable costs totaling approximately \$98,100,000. During fiscal year 2015, \$11,114,000 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, 2015, approximately \$43,013,000 has been spent on the project and approximately \$12,942,000 in grants has been received and accrued to date. A \$1,602,569 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, 2015.

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance at 6/30/14	Increases	Decreases	Balance at 6/30/15
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 60,081,516	\$ -	\$ -	\$ 60,081,516
Construction in progress.....	5,531,117	32,145,114	(1,345,375)	36,330,856
Total capital assets not being depreciated.....	<u>65,612,633</u>	<u>32,145,114</u>	<u>(1,345,375)</u>	<u>96,412,372</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	10,665,386	-	-	10,665,386
Buildings and improvements.....	138,194,173	512,881	(79,587)	138,627,467
Machinery and equipment.....	10,412,475	374,577	-	10,787,052
Vehicles.....	4,669,270	508,810	(203,112)	4,974,968
Infrastructure.....	31,821,534	2,025,656	(362,509)	33,484,681
Total capital assets being depreciated.....	<u>195,762,838</u>	<u>3,421,924</u>	<u>(645,208)</u>	<u>198,539,554</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(3,623,223)	(399,935)	-	(4,023,158)
Buildings and improvements.....	(40,553,448)	(3,007,394)	54,251	(43,506,591)
Machinery and equipment.....	(8,512,319)	(403,518)	-	(8,915,837)
Vehicles.....	(3,523,483)	(327,651)	203,112	(3,648,022)
Infrastructure.....	(24,164,539)	(864,058)	348,915	(24,679,682)
Total accumulated depreciation.....	<u>(80,377,012)</u>	<u>(5,002,556)</u>	<u>606,278</u>	<u>(84,773,290)</u>
Total capital assets being depreciated, net.....	<u>115,385,826</u>	<u>(1,580,632)</u>	<u>(38,930)</u>	<u>113,766,264</u>
Total governmental activities capital assets, net.....	<u>\$ 180,998,459</u>	<u>\$ 30,564,482</u>	<u>\$ (1,384,305)</u>	<u>\$ 210,178,636</u>

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

<b>Business-Type Activities:</b>	Balance at		Increases	Decreases	Balance at
	<u>6/30/14</u>				<u>6/30/15</u>
<b><i>Water/Sewer:</i></b>					
<u>Capital assets not being depreciated:</u>					
Construction in progress.....	\$ 434,338	\$ 1,113,253	(255,826)		\$ 1,291,765
<u>Capital assets being depreciated:</u>					
Land improvements.....	1,679,786	-	-		1,679,786
Buildings and improvements.....	7,039,219	298,565	(13,257)		7,324,527
Machinery and equipment.....	1,533,182	49,912	-		1,583,094
Vehicles.....	766,001	6,870	(39,867)		733,004
Infrastructure.....	<u>16,431,488</u>	<u>-</u>	<u>-</u>		<u>16,431,488</u>
Total capital assets being depreciated.....	<u>27,449,676</u>	<u>355,347</u>	<u>(53,124)</u>		<u>27,751,899</u>
<u>Less accumulated depreciation for:</u>					
Land improvements.....	(237,391)	(83,989)	-		(321,380)
Buildings and improvements.....	(2,526,608)	(147,164)	13,257		(2,660,515)
Machinery and equipment.....	(1,006,981)	(67,564)	-		(1,074,545)
Vehicles.....	(689,360)	(18,298)	39,867		(667,791)
Infrastructure.....	<u>(4,499,571)</u>	<u>(331,265)</u>	<u>-</u>		<u>(4,830,836)</u>
Total accumulated depreciation.....	<u>(8,959,911)</u>	<u>(648,280)</u>	<u>53,124</u>		<u>(9,555,067)</u>
Total capital assets being depreciated, net.....	<u>18,489,765</u>	<u>(292,933)</u>	<u>-</u>		<u>18,196,832</u>
Total water/sewer capital assets, net.....	<u>18,924,103</u>	<u>820,320</u>	<u>(255,826)</u>		<u>19,488,597</u>
<b><i>Recreation:</i></b>					
<u>Capital assets being depreciated:</u>					
Land improvements.....	364,965	-	-		364,965
Buildings and improvements.....	<u>10,716</u>	<u>-</u>	<u>-</u>		<u>10,716</u>
Total capital assets being depreciated.....	<u>375,681</u>	<u>-</u>	<u>-</u>		<u>375,681</u>
<u>Less accumulated depreciation for:</u>					
Land improvements.....	(349,311)	(11,668)	-		(360,979)
Buildings and improvements.....	<u>(9,447)</u>	<u>(214)</u>	<u>-</u>		<u>(9,661)</u>
Total accumulated depreciation.....	<u>(358,758)</u>	<u>(11,882)</u>	<u>-</u>		<u>(370,640)</u>
Total recreation capital assets, net.....	<u>16,923</u>	<u>(11,882)</u>	<u>-</u>		<u>5,041</u>
Total business-type activities capital assets, net.....	<u>\$ 18,941,026</u>	<u>\$ 808,438</u>	<u>\$ (255,826)</u>		<u>\$ 19,493,638</u>

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

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

**Governmental Activities:**

General government.....	\$ 393,864
Public safety.....	402,386
Education.....	2,476,560
Public works.....	1,304,464
Health and human services.....	2,522
Culture and recreation.....	<u>422,760</u>

Total depreciation expense - governmental activities..... \$ 5,002,556

**Business-Type Activities:**

Water/Sewer.....	\$ 648,280
Recreation.....	<u>11,882</u>

Total depreciation expense - business-type activities..... \$ 660,162

**NOTE 6 INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2015, are summarized below:

Transfers Out:	Transfers In:				Total
	General Fund	Nonmajor Governmental Funds	Water/Sewer Enterprise Fund	Recreation Enterprise Fund	
General Fund.....	\$ -	\$ 526,361	\$ 4,295,639	\$ 212,166	\$ 5,034,166 (1)
School Construction Fund.....	-	401,181	-	-	401,181 (2)
Nonmajor Governmental Funds.....	408,093	40,934	-	-	449,027 (3)
Water/Sewer Enterprise Fund.....	826,395	-	256,634	-	1,083,029 (4)
Recreation Enterprise Fund.....	<u>82,722</u>	-	-	-	<u>82,722 (4)</u>
	<u>\$ 1,317,210</u>	<u>\$ 968,476</u>	<u>\$ 4,552,273</u>	<u>\$ 212,166</u>	<u>\$ 7,050,125</u>

(1) Represents transfers to the athletic revolving fund (\$293,654), workers' compensation reserve fund (\$155,000), cemetery perpetual care fund (\$77,707), water/sewer enterprise fund for budgeted subsidy (\$4,295,639), recreation enterprise fund for budgeted subsidy (\$192,000) and recreation enterprise fund for wage allocations (\$20,166).

(2) Represents transfers to close out completed projects.

(3) Represents transfers to fund the general fund budget (\$408,000), fund close-out transfers (\$93) and transfers between nonmajor governmental funds (\$40,934).

(4) Represents transfers for indirect costs related to shared employees (\$909,117) and transfers to close out completed projects (\$256,634).

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**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, 2015, is as follows:

**Governmental Funds**

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at 6/30/2014	Increases	Decreases	Balance at 6/30/2015
BAN	Land Acquisition.....	7/2/13	7/2/14	1.25%	\$ 12,020,000	\$ -	\$ (12,020,000)	\$ -
BAN	High School Feasibility Study.....	7/2/13	7/2/14	1.25%	450,000	-	(450,000)	-
BAN	School Construction.....	7/2/13	7/2/14	1.25%	230,000	-	(230,000)	-
BAN	School Construction.....	4/3/14	7/2/14	1.00%	4,000,000	-	(4,000,000)	-
BAN	Land Acquisition.....	7/2/14	7/2/15	0.50%	-	11,595,000	(3,420,000) *	8,175,000
BAN	Land Acquisition.....	7/2/14	7/2/15	0.50%	-	425,000	-	425,000
BAN	Vinson-Owen School Construction.....	7/2/14	7/2/15	0.50%	-	230,000	(230,000) *	-
BAN	High School Feasibility Study.....	7/2/14	7/2/15	0.50%	-	30,715	(30,715) *	-
BAN	School Construction.....	7/2/14	7/2/15	0.50%	-	30,000,000	(30,000,000) *	-
Total.....					\$ 16,700,000	\$ 42,280,715	\$ (50,380,715)	\$ 8,600,000

**Enterprise Funds**

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at 6/30/2014	Increases	Decreases	Balance at 6/30/2015
BAN	Sewer system repairs.....	4/3/14	7/2/14	1.00%	\$ 300	\$ -	\$ (300)	\$ -

\* See Subsequent Event disclosure below

Subsequent Events

On July 1, 2015, the Town issued general obligation bonds totaling \$61,840,000, of which \$30,260,715 were used to retire BANs outstanding at June 30, 2015 and an additional \$31,579,285 was for school construction and reservoir improvements. Accordingly, \$30,260,715 of BANs has been reclassified to long-term debt at June 30, 2015.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

On July 2, 2015, the Town renewed the Land Acquisition BANs totaling \$12,020,000 at an interest rate of 1.0% and a maturity date of October 30, 2015. On October 30, 2015, the Town issued general obligation bonds totaling \$3,420,000, all of which was used to retire a portion of the Land Acquisition BANs outstanding at June 30, 2015. Accordingly, \$3,420,000 of BANs has been reclassified to long-term debt at June 30, 2015. In addition, on October 30, 2015, the Town used proceeds from the sale of land (see Note 20) totaling \$8,200,000 to retire an additional portion of Land Acquisition BANs outstanding at June 30, 2015.

**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, 2015:

	Balance at 6/30/14	Increases	Decreases	Balance at 6/30/15	Current Portion
<b>Governmental Activities:</b>					
Bonds and notes payable.....	\$ 57,250,450	\$ 33,680,715	\$ (4,864,451)	\$ 86,066,714	\$ 4,678,301
Environmental remediation.....	4,200,000	-	-	4,200,000	-
Workers' compensation claims.....	300,227	361,056	(345,239)	316,044	237,032
Net pension liability.....	19,886,460	2,411,782	(3,734,390)	18,563,852	-
Net OPEB obligation.....	22,128,900	5,274,598	(2,244,244)	25,159,254	-
Compensated absences.....	1,590,409	-	(522)	1,589,887	158,989
Total.....	<u>\$ 105,356,446</u>	<u>\$ 41,728,151</u>	<u>\$ (11,188,846)</u>	<u>\$ 135,895,751</u>	<u>\$ 5,074,322</u>

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

<b>Business-type Activities:</b>					
Bonds and notes payable.....	\$ 8,672,769	\$ 667,750	\$ (1,270,791)	\$ 8,069,728	\$ 1,040,059
Net pension liability.....	827,055	100,303	(155,309)	772,049	-
Net OPEB obligation.....	809,623	296,212	(126,033)	979,802	-
Compensated absences.....	56,049	4,675	-	60,724	6,072
Total.....	<u>\$ 10,365,496</u>	<u>\$ 1,068,940</u>	<u>\$ (1,552,133)</u>	<u>\$ 9,882,303</u>	<u>\$ 1,046,131</u>

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 9 LONG-TERM DEBT**

Details related to the outstanding indebtedness at June 30, 2015, and the debt service requirements are as follows:

**Bonds and Notes Payable - Governmental Funds**

Date of Issue	Maturity Date	Original Issue	Project	Interest Rate	Outstanding at 6/30/14	Issued	Redeemed	Outstanding at 6/30/15
10/25/00	08/01/18	\$ 72,121	MWPAT.....	4.96%	\$ 20,030	\$ -	\$ (4,006)	\$ 16,024
12/15/02	07/01/14	1,896,380	Building remodeling refunding.....	3.51%	175,000	-	(175,000)	-
07/01/04	07/01/14	7,160,000	Ambrose school.....	4.47%	360,000	-	(360,000)	-
07/01/04	07/01/14	4,511,000	Lincoln school.....	4.44%	230,000	-	(230,000)	-
07/01/04	07/01/14	1,235,000	Capital improvements.....	4.21%	73,000	-	(73,000)	-
07/01/04	07/01/14	250,000	Departmental equipment.....	3.94%	20,000	-	(20,000)	-
07/01/04	07/01/14	413,000	Roads.....	4.13%	22,000	-	(22,000)	-
07/01/04	07/01/14	350,000	Dam improvements.....	3.92%	5,000	-	(5,000)	-
07/01/04	07/01/14	200,000	Cross street culvert.....	4.44%	10,000	-	(10,000)	-
07/01/05	07/01/19	765,490	School building remodeling refunding.....	3.82%	433,210	-	(74,670)	358,540
07/01/05	07/01/19	165,260	School engineering refunding.....	3.82%	92,210	-	(15,775)	76,435
07/01/05	07/01/24	3,143,000	School remodeling.....	3.92%	1,830,000	-	(165,000)	1,665,000
07/01/05	07/01/24	375,000	Town building remodeling.....	3.91%	215,000	-	(20,000)	195,000
07/01/05	07/01/19	272,000	Equipment and planning.....	3.51%	30,000	-	(5,000)	25,000
07/01/05	07/01/24	375,000	Drainage - cross street.....	3.90%	215,000	-	(20,000)	195,000
07/01/06	07/01/25	440,000	Building remodeling.....	4.25%	265,000	-	(25,000)	240,000
07/01/06	07/01/25	900,150	School remodeling.....	4.24%	720,000	-	(60,000)	660,000
07/01/06	07/01/24	490,200	Lincoln school.....	4.26%	280,000	-	(30,000)	250,000
07/01/06	07/01/17	57,000	Drainage.....	4.25%	20,000	-	(5,000)	15,000
07/01/06	07/01/25	1,660,000	Ambrose school.....	4.24%	1,030,000	-	(90,000)	940,000
07/01/06	07/01/25	412,850	Building remodeling & plans.....	4.25%	180,000	-	(15,000)	165,000
07/01/08	07/01/25	2,968,000	School remodeling.....	4.13%	2,090,000	-	(175,000)	1,915,000
07/01/08	07/01/22	1,100,000	School classrooms.....	4.08%	710,000	-	(80,000)	630,000
07/01/08	07/01/27	562,000	McCall middle school design.....	4.18%	410,000	-	(30,000)	380,000
07/01/08	07/01/27	128,000	Building remodeling and plans.....	4.15%	88,000	-	(8,000)	80,000
07/01/08	07/01/28	6,188,000	McCall middle school addition.....	4.21%	4,630,000	-	(310,000)	4,320,000
07/01/08	07/01/28	1,556,000	Public safety building.....	4.21%	1,148,000	-	(81,000)	1,067,000
07/01/08	07/01/28	2,100,000	Town hall.....	4.20%	1,569,000	-	(106,000)	1,463,000
07/01/08	07/01/28	390,000	Transfer station/landfill use restoration.....	4.25%	290,000	-	(20,000)	270,000
05/01/09	05/01/29	1,644,000	Public safety building.....	3.53%	1,215,000	-	(85,000)	1,130,000
05/01/09	05/01/29	1,000,000	DPW complex.....	3.55%	750,000	-	(50,000)	700,000
05/01/09	05/01/24	1,350,000	Manchester field.....	3.24%	900,000	-	(90,000)	810,000
05/01/09	05/01/29	960,000	Fire alarms/corridor/ADA.....	3.53%	710,000	-	(50,000)	660,000
08/15/09	08/15/16	206,000	Building remodeling refunding.....	2.71%	86,000	-	(30,000)	56,000
08/15/09	08/15/17	642,000	School project refunding.....	2.76%	297,000	-	(80,000)	217,000
08/15/09	08/15/20	8,667,000	School construction refunding.....	3.23%	6,497,000	-	(975,000)	5,522,000
04/15/10	04/15/25	1,282,000	Muraco School HVAC.....	3.22%	935,000	-	(85,000)	850,000
04/15/10	04/15/15	650,000	Fire Trucks.....	2.38%	130,000	-	(130,000)	-
04/15/10	04/15/29	220,000	DPW Repairs.....	3.37%	160,000	-	(15,000)	145,000
04/28/11	04/15/36	16,000,000	Vinson-Owen School.....	4.05%	14,080,000	-	(640,000)	13,440,000
04/28/11	04/15/31	970,000	Lynch School roof repairs.....	3.65%	820,000	-	(50,000)	770,000
04/28/11	04/15/26	100,000	Muraco School HVAC.....	3.28%	70,000	-	(10,000)	60,000
04/28/11	04/15/31	3,962,000	Flood mitigation.....	3.68%	3,360,000	-	(200,000)	3,160,000
05/16/12	07/01/24	3,832,150	Ambrose School.....	2.00%	3,707,150	-	(46,500)	3,660,650
05/16/12	07/01/24	2,389,000	Lincoln School I.....	2.00%	2,312,000	-	(30,000)	2,282,000
05/16/12	07/01/24	102,500	Lincoln School II (comp).....	2.00%	99,000	-	(1,500)	97,500
05/16/12	07/01/24	490,500	Capital improvements.....	2.00%	474,000	-	(7,000)	467,000
05/16/12	07/01/24	40,350	Sewer & Dam.....	2.00%	38,850	-	(500)	38,350
05/16/12	07/01/24	53,500	Departmental Equipment II.....	2.00%	51,500	-	(1,000)	50,500
05/16/12	07/01/24	108,500	Sewer.....	2.00%	105,000	-	(1,500)	103,500
05/16/12	07/01/24	148,500	Roads.....	2.00%	142,500	-	(2,000)	140,500
05/16/12	07/01/24	630,000	Flood mitigation - Center Falls Dam.....	2.00%	530,000	-	(50,000)	480,000
07/01/14	07/01/34	1,770,000	Vinson-Owen School.....	3.20%	1,770,000	-	-	1,770,000
07/01/14	07/01/34	850,000	High School feasibility study.....	3.20%	850,000	-	-	850,000
07/01/15	07/01/21	30,715	High School feasibility study.....	5.00%	-	30,715	-	30,715
07/01/15	07/01/44	30,000,000	High School construction.....	5.00%	-	30,000,000	-	30,000,000
07/01/15	07/01/35	230,000	Vinson-Owen School.....	5.00%	-	230,000	-	230,000
10/15/15	10/15/35	3,420,000	Land Acquisition.....	3.44%	-	3,420,000	-	3,420,000
Total governmental funds.....					<u>57,250,450</u>	<u>33,680,715</u>	<u>(4,864,451)</u>	<u>86,066,714</u>

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

**Bonds and Notes Payable - Governmental Funds (Continued)**

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>
2016.....	\$ 4,678,301	\$ 1,866,183	\$ 6,544,484
2017.....	4,842,641	3,709,309	8,551,950
2018.....	5,816,206	2,887,188	8,703,394
2019.....	5,684,566	2,663,659	8,348,225
2020.....	5,635,000	2,447,649	8,082,649
2021.....	5,495,000	2,242,297	7,737,297
2022.....	4,555,000	2,058,361	6,613,361
2023.....	4,520,000	1,889,753	6,409,753
2024.....	4,380,000	1,720,816	6,100,816
2025.....	4,230,000	1,552,938	5,782,938
2026.....	3,365,000	1,397,402	4,762,402
2027.....	3,000,000	1,260,590	4,260,590
2028.....	2,990,000	1,131,070	4,121,070
2029.....	2,920,000	1,009,735	3,929,735
2030.....	2,280,000	917,982	3,197,982
2031.....	2,210,000	832,353	3,042,353
2032.....	2,030,000	743,988	2,773,988
2033.....	2,020,000	662,281	2,682,281
2034.....	2,020,000	579,578	2,599,578
2035.....	2,020,000	496,472	2,516,472
2036.....	1,890,000	414,975	2,304,975
2037.....	1,070,000	341,950	1,411,950
2038.....	1,070,000	304,500	1,374,500
2039.....	1,070,000	266,381	1,336,381
2040.....	1,070,000	227,594	1,297,594
2041.....	1,070,000	186,800	1,256,800
2042.....	1,070,000	144,000	1,214,000
2043.....	1,070,000	101,200	1,171,200
2044.....	1,070,000	58,400	1,128,400
2045.....	925,000	18,500	943,500
Total.....	<u>\$ 86,066,714</u>	<u>\$ 34,133,903</u>	<u>\$ 120,200,617</u>

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

**Bonds and Notes Payable – Water/Sewer Enterprise Fund**

Date of Issue	Maturity Date	Original Issue	Project	Interest Rate	Outstanding at 6/30/14	Issued	Redeemed	Outstanding at 6/30/15
12/15/02	07/01/15	3,493,620	Water treatment facility refunding.....	3.50%	\$ 300,000	\$ -	\$ (300,000)	\$ -
07/01/04	07/01/24	3,000,000	Drainage.....	4.44%	150,000	-	(150,000)	-
07/01/05	07/01/19	2,515,470	Water mains refunding.....	3.81%	1,413,995	-	(245,200)	1,168,795
07/01/05	07/01/19	448,780	Water mains II refunding.....	3.81%	250,585	-	(44,355)	206,230
08/25/05	08/15/15	555,190	Water (MWRA).....	0.00%	111,038	-	(55,519)	55,519
7/1/2006	07/01/26	2,149,000	Drainage.....	4.46%	1,375,000	-	(110,000)	1,265,000
05/01/09	04/15/29	750,000	Phase III drainage.....	3.53%	550,000	-	(40,000)	510,000
4/15/2010	04/15/29	1,688,000	Drainage.....	3.43%	1,345,000	-	(85,000)	1,260,000
2/22/2010	02/15/15	428,285	Water (MWRA).....	0.00%	85,657	-	(85,657)	-
5/16/2012	07/01/24	210,000	Sewer pump stations.....	2.00%	170,000	-	(20,000)	150,000
6/11/2012	05/15/17	64,515	Sewer (MWRA).....	0.00%	38,709	-	(12,903)	25,806
05/16/12	07/01/24	1,625,000	Drainage refunding.....	2.00%	1,570,000	-	(20,000)	1,550,000
02/24/14	02/15/19	510,785	Sewer (MWRA).....	0.00%	510,785	-	(102,157)	408,628
07/01/14	07/01/34	308,000	Drainage.....	3.20%	308,000	-	-	308,000
07/01/14	07/01/34	198,000	Dam improvement planning.....	4.00%	198,000	-	-	198,000
07/01/14	07/01/34	296,000	Sewer system repairs.....	3.19%	296,000	-	-	296,000
3/15/2015	02/15/25	167,750	Sewer (MWRA).....	0.00%	-	167,750	-	167,750
5/5/2015	02/15/25	500,000	Water (MWRA).....	0.00%	-	500,000	-	500,000
Total water/sewer enterprise fund.....					<u>8,672,769</u>	<u>667,750</u>	<u>(1,270,791)</u>	<u>8,069,728</u>

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, 2015, the outstanding principal amount of these loans totaled \$1,157,703.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

**Bonds and Notes Payable – Water/Sewer Enterprise Fund (Continued)**

Debt service requirements (gross) for principal and interest for water/sewer 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>
2016..... \$	1,040,059	\$ 240,911	\$ 1,280,970
2017.....	968,915	213,085	1,182,000
2018.....	936,732	185,538	1,122,270
2019.....	923,372	157,642	1,081,014
2020.....	766,775	131,752	898,527
2021.....	496,775	111,664	608,439
2022.....	491,775	97,600	589,375
2023.....	486,775	83,482	570,257
2024.....	481,775	58,519	540,294
2025.....	476,775	45,519	522,294
2026.....	260,000	34,121	294,121
2027.....	255,000	24,357	279,357
2028.....	155,000	16,660	171,660
2029.....	155,000	10,966	165,966
2030.....	30,000	5,082	35,082
2031.....	30,000	4,182	34,182
2032.....	30,000	3,263	33,263
2033.....	30,000	2,307	32,307
2034.....	30,000	1,333	31,333
2035.....	25,000	422	25,422
Total..... \$	<u>8,069,728</u>	<u>\$ 1,428,405</u>	<u>\$ 9,498,133</u>

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 9 LONG-TERM DEBT (CONTINUED)**

**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, 2015, the Town had the following authorized and unissued debt:

Purpose	Amount
High School Remodeling.....	\$ 98,623,146
Land Acquisition.....	8,600,000 *
Aberjona River Flood Mitigation.....	7,450,000
Skillings Field Construction.....	4,000,000
Various Fields Design & Construction.....	1,650,000
South Reservoir Dam Improvements.....	1,610,000
Vinson-Owen School Construction.....	433,257
Sewer System Repairs.....	417,915
Sewer System Investigation.....	296,250
Fenway Retaining Wall Repairs.....	250,000
Sewer Improvements.....	207,000
Sewer.....	<u>186,120</u>
 Total.....	 <u>\$ 123,723,688</u>

\* Represents BANs outstanding at June 30, 2015. See Note 7 for further information.

**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, Town Meeting and/or Board of Selectmen vote. The Plan does not issue a stand alone financial report.

The number of participants as of June 30, 2015, the latest actuarial valuation, is as follows:

Active employees.....	764
Retired employees, beneficiaries and dependents.....	<u>599</u>
 Total.....	 <u>1,363</u>

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 10 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

**Funding Policy** - The contribution requirements of Plan members and the Town are established and may be amended by the Town. As of July 1, 2015, the required health insurance contribution rates (including Medicare Part B) of Plan members and the Town vary by health plan and range from 50 - 80% and 20 - 50%, respectively. The Town's most recent actuarial valuation assumed that effective January 1, 2016, pre-June 30, 2004 retirees enrolled in certain health plans will contribute 30% and that effective July 1, 2017, all post-June 30, 2004 retirees will contribute 50%. 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:

	Amount
Annual required contribution.....	\$ 5,417,886
Interest on net OPEB obligation.....	917,541
Adjustment to annual required contribution.....	(764,617)
Annual OPEB cost.....	5,570,810
Contributions made.....	(2,370,277)
Increase in net OPEB obligation.....	3,200,533
Net OPEB obligation at beginning of year.....	22,938,523
Net OPEB obligation at end of year.....	\$ 26,139,056

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

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2013.....	3,868,116	66.1%	20,531,475
June 30, 2014.....	4,623,941	47.9%	22,938,523
June 30, 2015.....	5,570,810	42.5%	26,139,056

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 10 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

**Funded Status and Funding Progress** – The funded status of the Plan at June 30, 2015, the most recent actuarial valuation, was as follows:

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)
06/30/15	\$ -	\$ 78,355,195	\$ 78,355,195	0.0%	\$ 54,100,000	144.8%

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, 2015

*Actuarial cost method:* Projected Unit Credit

*Amortization method:* Level percentage of pay assuming 4.0% increasing payments

*Remaining amortization period:* 30 years at June 30, 2015 (open amortization period)

*Interest discount rate:* 4.0%

*Healthcare/Medical cost trend rate:* 5.5% decreasing 0.5% annually to an ultimate level of 4.5%

*Projected salary increases:* 4.0% annually

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 10 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

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

**Governmental Activities:**

General government.....	\$ 118,136
Public safety.....	865,083
Education.....	3,683,443
Public works.....	506,205
Health and human services.....	42,168
Culture and recreation.....	<u>59,563</u>
Total AOPEBC - governmental activities.....	<u>5,274,598</u>

**Business-Type Activities:**

Water/Sewer.....	211,581
Recreation.....	<u>84,631</u>
Total AOPEBC - business-type activities.....	<u>296,212</u>
Total AOPEBC.....	<u>\$ 5,570,810</u>

**NOTE 11 ENVIRONMENTAL REMEDIATION**

The Town has included in its financial statements a cost estimate of \$4,200,000 for the remediation of oil and/or hazardous materials (OHM) identified in soil at Skillings Field during environmental testing associated with the Aberjona River Flood Mitigation project. The presence of OHM above regulatory thresholds required reporting to Massachusetts Department of Environmental Protection. The Town must implement a remedy by November 1, 2019. The Town has appropriated funding for the remediation and expects to begin the project in the latter portion of fiscal year 2016.

The environmental remediation obligation was determined using the expected cash flow technique, which uses all expectations regarding possible cash flows. The obligation is based on what it would cost to perform remediation activities in fiscal year 2015. Actual costs may vary due to inflation, changes in technology, and changes in regulations.

**NOTE 12 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.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 12 RISK FINANCING (CONTINUED)**

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, 2015, totaled \$316,044. Changes in the reported liability since July 1, 2013, 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 2014.....	\$ 241,001	\$ 543,889	\$ (484,663)	\$ 300,227
Fiscal year 2015.....	300,227	361,056	(345,239)	316,044

The Town's liability for unemployment claims is immaterial at June 30, 2015, and therefore is not reported.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 13 FUND BALANCE**

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
<b>Nonspendable:</b>					
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ 2,346,745	\$ 2,346,745
<b>Restricted for:</b>					
Debt service.....	207,865	-	-	-	207,865
Other post employment benefits.....	1,482,917	-	-	-	1,482,917
School construction.....	-	1,249,104	-	-	1,249,104
Flood mitigation.....	-	-	-	2,326,818	2,326,818
Library endowment.....	-	-	-	1,549,488	1,549,488
Housing funds.....	-	-	-	966,717	966,717
Conservation fund.....	-	-	-	393,199	393,199
Sale of land receipts reserved.....	-	-	-	247,561	247,561
Aberjona River widening.....	-	-	-	4,616	4,616
SPED Circuit Breaker.....	-	-	-	119,903	119,903
School lunch.....	-	-	-	174,198	174,198
Miscellaneous capital.....	-	-	-	3,537	3,537
Workers' compensation.....	-	-	-	155,000	155,000
General government.....	-	-	-	323,548	323,548
Public safety.....	-	-	-	369,883	369,883
Education.....	-	-	-	678,152	678,152
Public works.....	-	-	-	860,967	860,967
Health and human services.....	-	-	-	171,811	171,811
Culture and recreation.....	-	-	-	777,164	777,164
Sub-total - Restricted.....	<u>1,690,782</u>	<u>1,249,104</u>	<u>-</u>	<u>9,122,562</u>	<u>12,062,448</u>
<b>Committed to:</b>					
Subsequent year's expenditures.....	589,483	-	-	-	589,483
Building and capital stabilization.....	5,117,891	-	-	-	5,117,891
Special education stabilization.....	301,403	-	-	-	301,403
Continuing appropriations.....	<u>1,658,240</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,658,240</u>
Sub-total - Committed.....	<u>7,667,017</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,667,017</u>
<b>Assigned to:</b>					
Encumbrances.....	<u>761,914</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>761,914</u>
<b>Unassigned.....</b>	<u>9,656,860</u>	<u>-</u>	<u>(8,600,000)</u>	<u>(180,789)</u>	<u>876,071</u>
<b>Total.....</b>	<u>\$ 19,776,573</u>	<u>\$ 1,249,104</u>	<u>\$ (8,600,000)</u>	<u>\$ 11,288,518</u>	<u>\$ 23,714,195</u>

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 14 STABILIZATION FUNDS**

The Town maintains the following stabilization funds that were established under MGL Chapter 40, Section 5B and Chapter 69 of the Acts of 2002:

- Stabilization Fund (general and/or capital purposes)
- Building Renovations/Reconstruction Stabilization Fund (approved by Proposition 2<sup>1/2</sup> override)
- Capital Improvements Stabilization Fund (approved by Proposition 2<sup>1/2</sup> override)
- 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, 2015 total \$4,231,095, \$3,977,120, \$1,140,771, and \$301,403, respectively, and are reported in the general fund as unassigned (\$4,231,095) and committed (\$5,419,294) fund balance.

**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. The System also covers eligible employees of the Winchester Housing Authority.

At December 31, 2014, the System’s membership consisted of the following:

Active members.....	367
Inactive - entitled to or receiving benefits.....	6
Inactive - not entitled to or not receiving benefits.....	132
Retirees and beneficiaries currently receiving benefits.....	<u>265</u>
Total members.....	<u><u>770</u></u>
Number of participating employers.....	<u><u>2</u></u>

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.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 15 PENSION PLAN (CONTINUED)**

**Benefits Provided** - The System provides retirement, disability and death benefits to plan members and beneficiaries, pursuant to Massachusetts General Law Chapter 32, up to a maximum of 80% of the average of a member's three (if hired before April 1, 2012) or five (if hired after April 1, 2012) highest consecutive years' regular compensation. In addition to regular compensation, benefits are based upon a member's age, length of creditable service and group classification. Members become vested after ten years of creditable service. A normal retirement allowance may be received after the completion of 20 years of service or upon reaching age 55 (if hired before April 1, 2012) or 60 (if hired after April 1, 2012), with 10 years of service. Normal retirement for most employees occurs at age 65 (if hired before April 1, 2012) or 67 (if hired after April 1, 2012), except for certain hazardous duty and public safety employees who attain normal retirement at age 55 (if hired before April 1, 2012) or 57 (if hired after April 1, 2012).

**Contributions** – 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. Members hired in 1979 or subsequent contribute an additional 2% of regular compensation in excess of \$30,000. 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.

For the year ended December 31, 2014, active member contributions totaled \$1,822,431 and employer contributions totaled \$3,906,569. Contributions to the System from the Town were \$3,889,699 for the year ended June 30, 2015.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - The components of the net pension liability of the System at December 31, 2014, were as follows:

Total pension liability.....	\$ 123,198,000
Plan fiduciary net position.....	<u>(103,694,368)</u>
Net pension liability.....	<u>\$ 19,503,632</u>
Plan fiduciary net position as a percentage of the total pension liability.....	84.17%

At June 30, 2015, the Town reported a liability of \$19,335,901 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2013 that was updated to December 31, 2014. The Town's proportion of the net pension liability is the proportionate share of employer contributions to the System as of December 31, 2014, actuarially determined. At December 31, 2014, the Town's proportion was 99.14%, which was the same proportion measured as of December 31, 2013.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 15 PENSION PLAN (CONTINUED)**

For the year ended June 30, 2015, the Town recognized pension expense of \$2,611,348. At June 30, 2015, the Town reported deferred inflows of resources related to pensions of \$175,478 for the net difference between projected and actual investment earnings.

The amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>Amount</u>
2016.....	\$ 43,870
2017.....	43,870
2018.....	43,870
2019.....	43,868

Actuarial Assumptions

The total pension liability in the January 1, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2014:

Actuarial cost method: Entry age normal

Amortization method: Increasing payments 2.5% per year

Remaining amortization period: 16 years

Asset valuation method: Market value

Investment rate of return: 7.75%, net of pension plan investment expense, including inflation

Inflation rate: Not explicitly assumed

Salary increases: 4.25% per year for Group 1 and 4.75% per year for Group 4

Cost of living adjustment: 3.0% on the first \$12,000 in benefits

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 15 PENSION PLAN (CONTINUED)**

Mortality rates:

Pre-Retirement-RP-2000 Employee Mortality Table projected 20 years with Scale AA

Healthy Retiree-RP-2000 Healthy Annuitant Mortality Table projected 15 years with Scale AA (gender distinct)

Disabled Retiree-RP-2000 Healthy Annuitant Mortality Table projected 15 years with Scale AA (gender distinct), set forward 2 years

Investment Policies and Rates of Return

Deposits and investments made by the System are governed by Chapter 32 of the MGL.

For the year ended December 31, 2014, the annual money-weighted rate of return on System investments, net of investment expense, was 7.98%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Target Allocation Range</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income.....	35%	+/- 20%	5.30%
Domestic Equities.....	35%	+/- 10%	8.30%
International Equities.....	20%	+/- 10%	9.00%
Real Estate.....	5%	+/- 5%	6.00%
Alternatives.....	5%	+/- 5%	6.00%

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 15 PENSION PLAN (CONTINUED)**

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the System calculated using the discount rate of 7.75%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
System's net pension liability....\$	33,071,000	\$ 19,503,632	\$ 7,796,000

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Town's proportionate share of the net pension liability \$	32,786,589	\$ 19,335,901	\$ 7,728,954

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 15 PENSION PLAN (CONTINUED)**

Legally Required Reserve Accounts – The balance in the System’s legally required reserves as of December 31, 2014 are as follows:

Description	Amount	Purpose
Annuity Savings Fund.....	\$ 21,057,191	Active members' contribution balance
Annuity Reserve Fund.....	5,079,591	Retired members' contribution account
Military Service Fund.....	6,252	Military leave of absence contribution balance
Pension Reserve Fund.....	73,966,179	Amounts appropriated to fund future retirement
Pension Fund.....	<u>3,585,155</u>	Remaining net position
Total.....	<u>\$ 103,694,368</u>	

**NOTE 16 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM**

**Plan description** - Public school teachers and certain administrators are provided with pensions through the Massachusetts Teachers’ Retirement System (MTRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Massachusetts Teachers’ Retirement Board. The MTRS is part of the Commonwealth of Massachusetts’ (Commonwealth) reporting entity and does not issue a stand-alone audited financial report. The MTRS is reported as a Pension Trust Fund in the Commonwealth’s audited financial statements that can be found at <http://www.mass.gov/osc/publications-and-reports/financial-reports/cafr-reports.html>.

**Benefits provided** - MTRS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit requirements. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member’s highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member’s age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 16 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)**

**Contributions** - The MTRS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Member contributions for MTRS vary depending on the most recent date of membership, ranging from 5-11% of regular compensation. Members hired in 1979 or subsequent contribute an additional 2% of regular compensation in excess of \$30,000.

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributing entity in MTRS.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - Since the Town does not contribute directly to MTRS, the Town does not report a proportionate share of the net pension liability of the MTRS at June 30, 2015. The Commonwealth's net pension liability associated with the Town was \$78,050,395.

The MTRS' net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014 rolled forward to June 30, 2014.

For the year ended June 30, 2015, the Town recognized pension expense of \$5,422,536 associated with MTRS and revenue of the same amount for support provided by the Commonwealth.

**Actuarial assumptions** - The MTRS' total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of January 1, 2014 rolled forward to June 30, 2014. This valuation used the following assumptions:

Investment rate of return - 8.0%

Salary increases - Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service

Mortality Rates - Pre-retirement reflects RP-2000 Employees table adjusted for "white-collar" employment projected 22 years with Scale AA (gender distinct). Post-retirement reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct). Disability reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA (gender distinct) set forward 3 years for males

Other - 3.5% interest rate credited to the annuity savings fund; 3.0% cost of living increase per year

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 16 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)**

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity.....	43%	7.2%
Core Fixed Income.....	13%	2.5%
Hedge Funds.....	10%	5.5%
Private Equity.....	10%	8.8%
Real Estate.....	10%	6.3%
Value Added Fixed Income.....	10%	6.3%
Timber/Natural Resources.....	4%	5.0%
Totals.....	<u>100%</u>	

**Discount rate** - The discount rate used to measure the MTRS' total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Pension plan fiduciary net position** - Detailed information about the MTRS' fiduciary net position is available in the Commonwealth's audited financial statements.

**NOTE 17 COMMITMENTS**

Significant commitments include the encumbrances and continuing appropriations outstanding for the general fund, which totaled \$2,420,154 at June 30, 2015.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2015**

**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, 2015, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2015.

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, 2015, 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 CHANGE IN ACCOUNTING PRINCIPLE**

During the year ended June 30, 2015, the Town adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This pronouncement requires the restatement of the June 30, 2014, net position of the governmental activities, business-type activities and enterprise funds as shown as follows:

	Governmental Activities	Business-Type Activities	Water/Sewer Enterprise Fund	Recreation Enterprise Fund
Net Position, June 30, 2014, as Previously Reported.....	\$ 129,265,763	\$ 14,345,406	\$ 14,427,229	\$ (81,823)
Cumulative Affect of Application of GASB 68, Net Pension Liability.....	(19,886,460)	(827,055)	(552,167)	(274,888)
Net Position, June 30, 2014, as Restated.....	\$ 109,379,303	\$ 13,518,351	\$ 13,875,062	\$ (356,711)

**NOTE 20 SUBSEQUENT EVENTS**

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.

In August 2015, the Town sold the Wright/Locke Farm to the Wright-Locke Land Trust, Inc. (Buyer) for the purchase price of \$8,600,000. Of this amount, \$8,200,000 was paid to the Town upon execution of the purchase and sales agreement and the delivery and recording of the deed.

**TOWN OF WINCHESTER, MASSACHUSETTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

In accordance with the purchase and sales agreement, the remaining \$400,000 of the purchase price is a contingent payment that must be paid by the Buyer to the Town at the time the Buyer conveys to a third party the portion of the property (two lots) that will be developed for residential purposes. The \$400,000 shall be paid by the Buyer to the Town after the closing of each of the two lots (\$200,000 per lot), or two years after the date that a qualified residential developer under contract to purchase from the Buyer has submitted an application to the Town's Planning Board for approval, whichever occurs first. Should the \$400,000 payment not be made within the time period specified in the purchase and sales agreement, the Town shall notify the Buyer of such failure and if the failure is not cured within 90 days after notice, the Town shall have the right (but shall not be obligated) to "step into the shoes of the Buyer" related to the residential development.

**NOTE 21 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS**

The GASB has issued the following statements:

- Statement No. 72, *Fair Value Measurement and Application*, which is required to be implemented during fiscal year 2016.
- Statement No. 73, *Accounting and financial Reporting Pensions and Related Assets That Are not within the Scope of GASB 68, and amendments to Certain Provisions of GASB Statements 67 and 68*, which is required to be implemented during fiscal year 2017.
- Statement No. 74, *Financial Reporting for Postemployment Benefits Other than Pensions*, which is required to be implemented during fiscal year 2017.
- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which is required to be implemented during fiscal year 2018.
- Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is required to be implemented during fiscal year 2016.
- Statement No. 77, *Tax Abatement Disclosures*, which is required to be implemented during fiscal year 2017.

Management is evaluating the Statements' future impact on the basic financial statements. These pronouncements will be implemented by their respective implementation dates.

This page left intentionally blank.

TOWN OF WINCHESTER, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
(NON-GAAP BUDGETARY BASIS)  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
<b>REVENUES</b>				
Real Estate and Personal Property Taxes	\$ -	\$ 73,751,369	\$ 123,632	\$ 73,875,001
Motor Vehicle and Other Excise Taxes	-	3,238,000	-	3,238,000
Tax Liens	-	-	-	-
Payments in Lieu of Taxes	-	98,000	-	98,000
Trash Disposal	-	1,385,000	-	1,385,000
Intergovernmental	-	9,697,455	-	9,697,455
Special Assessments	-	25,000	-	25,000
Penalties and Interest on Taxes	-	240,000	-	240,000
Licenses and Permits	-	1,400,000	-	1,400,000
Fines and Forfeitures	-	40,000	-	40,000
Departmental and Other	-	1,260,000	-	1,260,000
Investment Income	-	25,000	-	25,000
Total Revenues	<u>-</u>	<u>91,159,824</u>	<u>123,632</u>	<u>91,283,456</u>
<b>EXPENDITURES</b>				
Current:				
General Government	516,852	7,261,264	(180,598)	7,597,518
Public Safety	16,669	8,734,071	73,186	8,823,926
Education	335,895	41,074,839	97,956	41,508,690
Public Works	456,363	6,606,168	1,371,329	8,433,860
Health and Human Services	958	665,076	33,237	699,271
Culture and Recreation	40,282	1,776,777	25,148	1,842,207
Pension Benefits	-	3,924,699	-	3,924,699
Employee Benefits	10,530	11,050,000	-	11,060,530
Property and Liability Insurance	-	343,000	-	343,000
State and County Charges	-	525,215	-	525,215
Debt Service:				
Principal	-	4,864,451	-	4,864,451
Interest	-	2,070,191	44,032	2,114,223
Total Expenditures	<u>1,377,549</u>	<u>88,895,751</u>	<u>1,464,290</u>	<u>91,737,590</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>(1,377,549)</u>	<u>2,264,073</u>	<u>(1,340,658)</u>	<u>(454,134)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	5,861,706	689,750	6,551,456
Premium from Issuance of Bonds and Notes	-	-	-	-
Transfers Out	-	(9,260,910)	(400,268)	(9,661,178)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(3,399,204)</u>	<u>289,482</u>	<u>(3,109,722)</u>
<b>NET CHANGE IN FUND BALANCE</b>				
	(1,377,549)	(1,135,131)	(1,051,176)	(3,563,856)
Fund Balance - Beginning of Year	<u>7,709,495</u>	<u>7,709,495</u>	<u>7,709,495</u>	<u>7,709,495</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 6,331,946</u>	<u>\$ 6,574,364</u>	<u>\$ 6,658,319</u>	<u>\$ 4,145,639</u>

See accompanying notes to required supplementary information.

	Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$	74,123,297	\$ -	\$ 74,123,297	\$ 248,296
	3,477,144	-	3,477,144	239,144
	41,461	-	41,461	41,461
	69,134	-	69,134	(28,866)
	1,354,354	-	1,354,354	(30,646)
	10,116,267	-	10,116,267	418,812
	27,146	-	27,146	2,146
	275,044	-	275,044	35,044
	1,511,224	-	1,511,224	111,224
	34,217	-	34,217	(5,783)
	1,468,936	-	1,468,936	208,936
	71,238	-	71,238	46,238
	<u>92,569,462</u>	<u>-</u>	<u>92,569,462</u>	<u>1,286,006</u>
	6,446,001	940,550	7,386,551	210,967
	8,802,744	10,025	8,812,769	11,157
	40,992,500	389,095	41,381,595	127,095
	7,074,399	1,026,401	8,100,800	333,060
	678,024	8,577	686,601	12,670
	1,767,863	45,506	1,813,369	28,838
	3,924,525	-	3,924,525	174
	10,520,169	-	10,520,169	540,361
	339,377	-	339,377	3,623
	576,492	-	576,492	(51,277)
	4,864,451	-	4,864,451	-
	2,114,223	-	2,114,223	-
	<u>88,100,768</u>	<u>2,420,154</u>	<u>90,520,922</u>	<u>1,216,668</u>
	<u>4,468,694</u>	<u>(2,420,154)</u>	<u>2,048,540</u>	<u>2,502,674</u>
	6,551,551	-	6,551,551	95
	209,738	-	209,738	209,738
	<u>(9,661,178)</u>	<u>-</u>	<u>(9,661,178)</u>	<u>-</u>
	<u>(2,899,889)</u>	<u>-</u>	<u>(2,899,889)</u>	<u>209,833</u>
	1,568,805	(2,420,154)	(851,349)	2,712,507
	<u>7,709,495</u>	<u>-</u>	<u>7,709,495</u>	<u>-</u>
\$	<u>9,278,300</u>	<u>(2,420,154)</u>	<u>6,858,146</u>	<u>2,712,507</u>

**TOWN OF WINCHESTER, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2015**

**PENSION PLAN SCHEDULES**

**SCHEDULE OF CHANGES IN EMPLOYERS' NET PENSION LIABILITY AND RELATED RATIOS  
(SYSTEM)**

	2014
<u>Total pension liability</u>	
Service cost	\$ 2,625,000
Interest	9,100,000
Benefit payments, including refunds of member contributions	(6,639,000)
Net change in total pension liability	5,086,000
Total pension liability - beginning	118,112,000
Total pension liability - ending (a)	\$ 123,198,000
<u>Plan fiduciary net position</u>	
Contributions - employer	\$ 3,906,569
Contributions - member	1,822,431
Net investment income	7,702,031
Benefit payments, including refunds of member contributions	(6,639,000)
Administrative expense	(67,923)
Other	(248,544)
Net change in plan fiduciary net position	6,475,564
Plan fiduciary net position - beginning	97,218,804
Plan fiduciary net position - ending (b)	\$ 103,694,368
Net pension liability - ending (a) - (b)	\$ 19,503,632
Plan fiduciary net position as a percentage of the total pension liability	84.17%
Covered-employee payroll	\$ 17,971,254
Net pension liability as a percentage of covered-employee payroll	108.53%

**TOWN OF WINCHESTER, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2015**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS (SYSTEM)**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contribution	\$ 3,906,569	3,845,592	3,777,163	3,623,792	3,515,362
Contributions in relation to the actuarially determined contribution	<u>3,906,569</u>	<u>3,845,592</u>	<u>3,777,163</u>	<u>3,623,792</u>	<u>3,515,362</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered-employee payroll	\$ 17,971,254	17,971,254	17,195,132	17,195,132	16,879,293
Contributions as a percentage of covered-employee payroll	21.74%	21.40%	21.97%	21.07%	20.83%

(continued)

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Actuarially determined contribution	\$ 3,323,793	3,227,543	3,100,000	2,800,000	2,550,336
Contributions in relation to the actuarially determined contribution	<u>3,323,793</u>	<u>3,227,543</u>	<u>3,100,000</u>	<u>2,800,000</u>	<u>2,550,336</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered-employee payroll	\$ 16,879,293	15,863,491	15,863,491	14,092,068	14,092,068
Contributions as a percentage of covered-employee payroll	19.69%	20.35%	19.54%	19.87%	18.10%

(concluded)

**SCHEDULE OF INVESTMENT RETURNS (SYSTEM)**

	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	7.98%

**TOWN OF WINCHESTER, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2015**

**SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (SYSTEM)**

	2015*
Town's proportion of the net pension liability	99.14%
Town's proportionate share of the net pension liability	19,335,901
Town's covered-employee payroll	17,816,701
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	108.53%
Plan fiduciary net position as a percentage of the total pension liability	84.17%

\*The amounts presented were determined as of December 31, 2014

**SCHEDULE OF TOWN CONTRIBUTIONS (SYSTEM)**

	2015
Actuarially Required Contribution	\$ 3,889,699
Contributions in Relation to the Actuarially Required Contribution	3,889,699
Contribution Deficiency (Excess)	\$ -
Town's Covered-Employee Payroll	\$ 17,816,701
Contributions as a Percentage of Covered Employee Payroll	21.83%

**SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (MTRS)**

	2015*
Town's proportion of the net pension liability	0.00%
Town's proportionate share of the net pension liability	\$ -
Commonwealth's proportionate share of the net pension liability associated with the Town	78,050,395
Total	\$ 78,050,395
Town's covered-employee payroll	\$ 30,105,390
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	N/A
Plan fiduciary net position as a percentage of the total pension liability	61.64%

\* The amounts presented were determined as of June 30, 2014

**TOWN OF WINCHESTER, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2015**

**SCHEDULE OF TOWN CONTRIBUTIONS (MTRS)**

	<u>2015</u>
Contractually required contribution	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>
Town's covered-employee payroll	\$ 30,105,390
Contributions as a percentage of covered-employee payroll	N/A

**TOWN OF WINCHESTER, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2015**

**OTHER POSTEMPLOYMENT BENEFITS SCHEDULE**

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

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial 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)
06/30/15	\$ -	\$ 78,355,195	\$ 78,355,195	0.0%	\$ 54,100,000	144.8%
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%

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

- 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
- The 06/30/15 valuation reflects the assumptions that effective January 1, 2016, pre-June 30, 2004 retirees enrolled in certain health plans will contribute 30% and that effective July 1, 2017, all post-June 30, 2004 retirees will contribute 50%

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2015**

**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, 2015, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Fund Balance</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 92,569,462	\$ 90,520,922	\$ (2,899,889)	\$ 6,858,146
<u>Reclassifications</u>				
Activity of stabilization funds recorded in the general fund for GAAP purposes.....	120,313	-	(538,664)	9,650,392
Activity of OPEB fund recorded in the general fund for GAAP purposes.....	23,496	-	470,000	1,482,917
Reclassification of employee benefits to enterprise funds.....	-	(538,665)	(538,665)	-
<u>Adjustments</u>				
Net change in recording 60-day receipts.....	(72,881)	-	-	214,691
Net change in recording tax refunds payable.....	(222)	-	-	(323,439)
Net change in recording short-term interest accrual.....	-	10,152	-	(210,245)
Net change in recording workers' compensation payable.....	-	15,813	-	(316,043)
To record encumbrances and continuing appropriations.....	-	(2,420,154)	-	2,420,154
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	<u>\$ 92,640,168</u>	<u>\$ 87,588,068</u>	<u>\$ (3,507,218)</u>	<u>\$ 19,776,573</u>