

**TOWN OF WINCHESTER, MASSACHUSETTS**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**



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**TOWN OF WINCHESTER, MASSACHUSETTS  
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## INDEPENDENT AUDITORS' REPORT

Honorable Select Board  
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, 2018 (except for the Winchester Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2017), and the related notes to the financial statements, which collectively comprise the Town of Winchester, Massachusetts' basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### **Opinions**

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Winchester, Massachusetts, as of June 30, 2018 (except for the Winchester Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2017), and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

During the fiscal year ended June 30, 2018, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. As a result, the Town reported a restatement for the change in accounting principle (see Note 1). Our auditor's 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 post-employment benefits information (located on pages 71 through 78) 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 6, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's 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, Massachusetts  
February 6, 2019

**TOWN OF WINCHESTER, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

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, 2018.

***Financial Highlights***

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$118,357,359 (net position).
- The Town's total net position increased \$3,653,171.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$11,820,608, or 9.6% of total general fund expenditures and transfers out.
- The Town's total outstanding bonded debt increased by \$12,680,748 during the fiscal year. The Town issued/recognized new debt of \$19,921,975, retired \$8,020,116 of existing debt during the fiscal year and had a net addition of \$778,889 of unamortized bond premiums.

***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. Other post-employment benefits schedule
3. Pension plan schedules

**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 Town'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, 2018**

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 300 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 Fund and School Construction (capital projects) Fund, both 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 15-18 of this report.

**TOWN OF WINCHESTER, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

**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.

The proprietary funds basic financial statements can be found on pages 19-21 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 22-23 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 24-69 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 71-78.

**TOWN OF WINCHESTER, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

**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 \$118,357,359 at the close of the fiscal year and is summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2018	2017	2018	2017	2018	2017
<b>Assets</b>						
Current assets.....	\$ 41,304,956	\$ 45,424,361	\$ 7,966,107	\$ 6,906,277	\$ 49,271,063	\$ 52,330,638
Noncurrent assets excluding capital assets).....	10,552,228	10,089,572	-	-	10,552,228	10,089,572
Capital assets (net).....	310,824,121	299,406,621	20,513,363	20,867,179	331,337,484	320,273,800
Total assets.....	<u>362,681,305</u>	<u>354,920,554</u>	<u>28,479,470</u>	<u>27,773,456</u>	<u>391,160,775</u>	<u>382,694,010</u>
<b>Deferred outflows of resources.....</b>	<u>5,826,249</u>	<u>9,998,872</u>	<u>137,940</u>	<u>357,132</u>	<u>5,964,189</u>	<u>10,356,004</u>
<b>Liabilities</b>						
Current liabilities (excluding debt).....	4,655,702	6,768,582	380,630	286,146	5,036,332	7,054,728
Noncurrent liabilities (excluding debt).....	107,257,951	62,833,437	4,340,874	2,520,550	111,598,825	65,353,987
Current debt.....	11,944,566	22,064,206	1,574,247	1,083,910	13,518,813	23,148,116
Noncurrent debt.....	135,974,775	123,755,452	6,811,347	7,123,619	142,786,122	130,879,071
Total liabilities.....	<u>259,832,994</u>	<u>215,421,677</u>	<u>13,107,098</u>	<u>11,014,225</u>	<u>272,940,092</u>	<u>226,435,902</u>
<b>Deferred inflows of resources.....</b>	<u>5,566,445</u>	<u>1,861,516</u>	<u>261,068</u>	<u>66,444</u>	<u>5,827,513</u>	<u>1,927,960</u>
<b>Net Position</b>						
Net investment in capital assets.....	171,154,360	168,970,281	14,928,851	14,156,098	186,083,211	183,126,379
Restricted.....	14,567,995	13,723,961	-	-	14,567,995	13,723,961
Unrestricted.....	<u>(82,614,240)</u>	<u>(35,058,009)</u>	<u>320,393</u>	<u>2,893,821</u>	<u>(82,293,847)</u>	<u>(32,164,188)</u>
Total net position.....	<u>\$ 103,108,115</u>	<u>\$ 147,636,233</u>	<u>\$ 15,249,244</u>	<u>\$ 17,049,919</u>	<u>\$ 118,357,359</u>	<u>\$ 164,686,152</u>

The largest portion of the Town's net position 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 represents resources that are subject to external restrictions on how they may be used.

Unrestricted net position in the business-type activities of \$320,393 consists of \$1,458,597 that may be used to meet the Town's on-going obligations to citizens and creditors for the Town's water/sewer activities, along with a deficit of \$1,138,204 in the Recreation enterprise fund. 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 total other post-employment benefits liabilities.

**TOWN OF WINCHESTER, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

Changes in Net position

For the fiscal year ended June 30, 2018, the Town's total net position increased \$3,653,171, compared to an increase of \$13,617,550 in the prior fiscal year. These amounts are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
<i>Program Revenues:</i>						
Charges for services.....	\$ 9,193,433	\$ 9,647,422	\$ 7,553,155	\$ 8,378,814	\$ 16,746,588	\$ 18,026,236
Operating grants and contributions.....	24,831,492	23,538,341	46,532	86,658	24,878,024	23,624,999
Capital grants and contributions.....	987,505	8,339,584	485,925	-	1,473,430	8,339,584
<i>General Revenues:</i>						
Real estate and personal property taxes.....	88,689,551	84,296,065	-	-	88,689,551	84,296,065
Motor vehicle and other excise taxes.....	4,022,522	3,534,746	-	-	4,022,522	3,534,746
Penalties and interest on taxes.....	306,584	499,965	-	-	306,584	499,965
Payments in lieu of taxes.....	50,967	102,333	-	-	50,967	102,333
to specific programs.....	1,941,575	1,794,556	-	-	1,941,575	1,794,556
Unrestricted investment income.....	363,968	280,690	-	-	363,968	280,690
<b>Total revenues.....</b>	<b>130,387,597</b>	<b>132,033,702</b>	<b>8,085,612</b>	<b>8,465,472</b>	<b>138,473,209</b>	<b>140,499,174</b>
<b>Expenses</b>						
General government.....	9,234,472	8,164,220	-	-	9,234,472	8,164,220
Public safety.....	14,544,764	14,069,668	-	-	14,544,764	14,069,668
Education.....	77,276,622	76,383,586	-	-	77,276,622	76,383,586
Public works.....	11,741,944	8,528,825	-	-	11,741,944	8,528,825
Health and human services.....	1,521,865	1,524,249	-	-	1,521,865	1,524,249
Culture and recreation.....	2,894,815	2,771,240	-	-	2,894,815	2,771,240
Debt service - interest.....	5,713,379	4,722,296	-	-	5,713,379	4,722,296
Water/Sewer.....	-	-	9,909,721	8,817,259	9,909,721	8,817,259
Recreation.....	-	-	1,982,456	1,900,281	1,982,456	1,900,281
<b>Total expenses.....</b>	<b>122,927,861</b>	<b>116,164,084</b>	<b>11,892,177</b>	<b>10,717,540</b>	<b>134,820,038</b>	<b>126,881,624</b>
Change in net assets before transfers.....	7,459,736	15,869,618	(3,806,565)	(2,252,068)	3,653,171	13,617,550
Transfers, net.....	(4,056,400)	(3,718,058)	4,056,400	3,718,058	-	-
Change in net position.....	3,403,336	12,151,560	249,835	1,465,990	3,653,171	13,617,550
Net position - beginning of year (As Restated)*.....	99,704,779	135,484,673	14,999,409	15,583,929	114,704,188	151,068,602
Net position - end of year.....	\$ 103,108,115	\$ 147,636,233	\$ 15,249,244	\$ 17,049,919	\$ 118,357,359	\$ 164,686,152

\* Please refer to Note 1.C. in the *Notes to Basic Financial Statements*

Governmental activities increased the Town's net position by \$3,403,336. In the prior year, governmental activities increased the Town's net position by \$12,151,560. The key element of this change is a decrease in capital grants and contributions of approximately \$7,400,000 resulting from less construction activity related to school construction projects, such as the High School construction project, which was essentially completed in the early portion of fiscal year 2018.

Business-type activities increased the Town's net position by \$249,835. In the prior year, business-type activities increased the Town's net position by \$1,465,990. The key elements of this change are increases in expenses (for example, other post-employment benefits and MWRA assessments) and a decrease in water/sewer user charges caused by a decrease in consumption.

**TOWN OF WINCHESTER, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

***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 \$42,010,283, an increase of \$10,089,356 in comparison with the prior year. \$11,765,791 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable - \$2,551,695
- Restricted - \$16,934,870
- Committed - \$9,365,412
- Assigned - \$1,392,515

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 \$11,820,608, while total fund balance was \$25,617,912. 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 9.6% of total General Fund expenditures and transfers out, while total fund balance represents 20.9% of that same amount.

The fund balance of the Town's General Fund decreased \$282,655 during fiscal year 2018. The Town recognized a positive budget to actual variance (excluding encumbrances and continuing appropriations) totaling approximately \$5,474,000; and used approximately \$6,470,000 of reserves to fund the fiscal year 2018 budget.

Financial highlights of the Town's other major governmental fund is as follows:

The School Construction Fund (capital projects) consists of construction projects for the High School (essentially completed in early fiscal year 2018), Vinson-Owen Elementary School and the McCall Middle School Phase I and Phase II. Fund balance decreased \$397,242 during the current fiscal year. The fund recognized \$369,620 of intergovernmental revenues, \$6,341,700 from proceeds on bonds and notes, \$258,140 on premium from the issuance of bonds and notes, and \$350,000 of transfers from other funds. Expenditures totaled \$7,716,702.

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 \$1,458,597. The Water/Sewer Enterprise Fund had an increase in net position for the year of \$280,882. Unrestricted net position of the Recreation Enterprise Fund at the end of the year amounted to a deficit of \$1,138,204. The Recreation Enterprise Fund had a decrease in net position for the year of \$31,047. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

**TOWN OF WINCHESTER, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

General Fund Budgetary Highlights

The original General Fund budgeted expenditures (including transfers out) totaled \$113,450,295. During the year, supplemental appropriations totaling \$2,400,131 were authorized. The following table summarizes the increase:

Purpose of Increase	Amount	Funding Source
Capital articles.....	\$ 1,073,399	Unassigned fund balance/transfers in
Various Union-related budget supplements.....	615,926	Unassigned fund balance/transfers in
Various budget supplements.....	413,535	Unassigned fund balance/transfers in
Snow and ice.....	<u>297,271</u>	Unassigned fund balance/transfers in
 Total increase.....	 \$ <u>2,400,131</u>	

During the year, revenues and other financing sources and uses exceeded budgetary estimates and expenditures and encumbrances and continuing appropriations were less than budgetary estimates, resulting in a positive budget to actual variance totaling approximately \$1,963,000. Encumbrances and continuing appropriations total \$3,510,562 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 \$331,337,484 (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 \$11,063,684.

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

- High School construction in progress (approximately \$9,100,000)
- Governmental and water/sewer infrastructure improvements (approximately \$4,700,000)
- Skillings Field construction in progress (approximately \$2,000,000)

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

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2018	2017	2018	2017	2018	2017
Land.....	\$ 64,731,516	\$ 64,731,516	\$ -	\$ -	\$ 64,731,516	\$ 64,731,516
Land improvements.....	6,917,721	6,354,858	1,115,284	1,197,287	8,033,005	7,552,145
Buildings and improvements.....	88,152,349	90,066,764	4,212,484	4,363,345	92,364,833	94,430,109
Machinery and equipment.....	1,748,655	1,715,544	344,935	399,650	2,093,590	2,115,194
Vehicles.....	1,167,116	985,919	136,417	173,900	1,303,533	1,159,819
Infrastructure.....	11,161,209	8,521,662	14,058,261	12,731,962	25,219,470	21,253,624
Construction in progress.....	<u>136,945,555</u>	<u>127,030,358</u>	<u>645,982</u>	<u>2,001,035</u>	<u>137,591,537</u>	<u>129,031,393</u>
Total capital assets.....	\$ <u>310,824,121</u>	\$ <u>299,406,621</u>	\$ <u>20,513,363</u>	\$ <u>20,867,179</u>	\$ <u>331,337,484</u>	\$ <u>320,273,800</u>

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

**TOWN OF WINCHESTER, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$151,579,935, 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>	
	2018	2017	2018	2017	2018	2017
General obligation bonds.....	\$ 143,615,335	\$ 130,683,646	\$ 5,994,440	\$ 6,847,240	\$ 149,609,775	\$ 137,530,886
MWRA notes.....	-	-	1,966,154	1,360,289	1,966,154	1,360,289
MCWT notes.....	4,006	8,012	-	-	4,006	8,012
Total bonds and notes.....	<u>\$ 143,619,341</u>	<u>\$ 130,691,658</u>	<u>\$ 7,960,594</u>	<u>\$ 8,207,529</u>	<u>\$ 151,579,935</u>	<u>\$ 138,899,187</u>

The Town's total outstanding bonded debt increased by \$12,680,748 during the fiscal year. The Town issued/recognized new debt of \$19,921,975, retired \$8,020,116 of existing debt during the fiscal year and had a net addition of \$778,889 of unamortized bond premiums.

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 Notes 8 and 9 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 2019 Operating Budget of approximately \$126,043,000 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 and for 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 \$200,000, bringing the OPEB Trust Fund balance to approximately \$3,178,000.

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 2019, the revenue collected from taxes, including debt exclusions, will amount to approximately \$91,715,000.

Total fiscal year 2018 General Fund budgetary basis revenue and other financing sources (transfers in and premiums from issuance of bonds) was \$114,906,323. Property taxes accounted for 77.0%, Motor Vehicle Excise 3.5% and Intergovernmental 9.1% of total General Fund revenue and other financing sources. In fiscal year 2019, State revenue is expected to increase compared to fiscal year 2018. General Fund State reimbursements related to School construction will be \$672,082.

Total fiscal year 2018 General Fund budgetary basis expenditures (including encumbrances and continued appropriations) and transfers to other funds amount to \$119,412,603.

**TOWN OF WINCHESTER, MASSACHUSETTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018**

The Town continues to have substantial balances in its Stabilization Funds. The balances at June 30, 2018 in these funds are as follows:

- General Stabilization Fund - \$4,355,096
- Building Stabilization Fund - \$3,268,647
- Capital Stabilization Fund - \$1,564,647

***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, 2018**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 19,005,656	\$ 3,084,597	\$ 22,090,253
Restricted Cash and Cash Equivalents	13,406,802	2,801,082	16,207,884
Investments	4,661,120	-	4,661,120
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate and Personal Property Taxes	856,950	-	856,950
Tax and Utility Liens	724,556	29,734	754,290
Motor Vehicle and Other Excise Taxes	173,556	-	173,556
User Charges	-	2,050,694	2,050,694
Department and Other	424,803	-	424,803
Intergovernmental	2,051,513	-	2,051,513
Total Current Assets	<u>41,304,956</u>	<u>7,966,107</u>	<u>49,271,063</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	3,292,192	-	3,292,192
Restricted Investments	5,811,261	-	5,811,261
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate Tax Deferrals	570,247	-	570,247
Intergovernmental	864,926	-	864,926
Tax Foreclosures	13,602	-	13,602
Capital Assets not being Depreciated	201,677,071	645,982	202,323,053
Capital Assets, Net of Accumulated Depreciation	<u>109,147,050</u>	<u>19,867,381</u>	<u>129,014,431</u>
Total Noncurrent Assets	<u>321,376,349</u>	<u>20,513,363</u>	<u>341,889,712</u>
Total Assets	<u>362,681,305</u>	<u>28,479,470</u>	<u>391,160,775</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to Pensions	5,826,249	137,940	5,964,189
<b>LIABILITIES</b>			
Current Liabilities:			
Warrants Payable	914,733	241,487	1,156,220
Accrued Payroll	524,134	75,970	600,104
Tax Refunds Payable	40,000	-	40,000
Other Liabilities	147,372	-	147,372
Accrued Interest	2,744,024	57,308	2,801,332
Workers' Compensation Claims	129,829	-	129,829
Compensated Absences	155,610	5,865	161,475
Short-Term Notes Payable	4,300,000	425,000	4,725,000
Long-Term Bonds and Notes Payable	<u>7,644,566</u>	<u>1,149,247</u>	<u>8,793,813</u>
Total Current Liabilities	16,600,268	1,954,877	18,555,145
Noncurrent Liabilities:			
Workers' Compensation Claims	43,276	-	43,276
Compensated Absences	1,400,489	52,772	1,453,261
Net Pension Liability	22,490,201	807,078	23,297,279
Total OPEB Liability	83,323,985	3,481,024	86,805,009
Long-Term Bonds and Notes Payable	<u>135,974,775</u>	<u>6,811,347</u>	<u>142,786,122</u>
Total Noncurrent Liabilities	<u>243,232,726</u>	<u>11,152,221</u>	<u>254,384,947</u>
Total Liabilities	259,832,994	13,107,098	272,940,092
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to Pensions	5,566,445	261,068	5,827,513
<b>NET POSITION</b>			
Net Investment in Capital Assets	171,154,360	14,928,851	186,083,211
Restricted for:			
Other Postemployment Benefits	2,977,517	-	2,977,517
Debt Service	61,860	-	61,860
Permanent Funds:			
Expendable	3,775,360	-	3,775,360
Nonexpendable	2,551,695	-	2,551,695
Other Specific Purposes	5,201,563	-	5,201,563
Unrestricted	<u>(82,614,240)</u>	<u>320,393</u>	<u>(82,293,847)</u>
Total Net Position	<u>\$ 103,108,115</u>	<u>\$ 15,249,244</u>	<u>\$ 118,357,359</u>

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

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	\$ 9,234,472	\$ 710,672	\$ 458,193	\$ 125,000	\$ (7,940,607)
Public Safety	14,544,764	3,525,635	118,409	-	(10,900,720)
Education	77,276,622	2,957,407	22,818,865	369,619	(51,130,731)
Public Works	11,741,944	1,765,658	649,351	492,886	(8,834,049)
Health and Human Services	1,521,865	203,290	233,552	-	(1,085,023)
Culture and Recreation	2,894,815	30,771	313,503	-	(2,550,541)
Debt Service-Interest	5,713,379	-	239,619	-	(5,473,760)
Total Governmental Activities	122,927,861	9,193,433	24,831,492	987,505	(87,915,431)
Business-Type Activities:					
Water/Sewer	9,909,721	5,695,198	43,691	485,925	(3,684,907)
Recreation	1,982,456	1,857,957	2,841	-	(121,658)
Total Business-Type Activities	11,892,177	7,553,155	46,532	485,925	(3,806,565)
Total Primary Government	\$ 134,820,038	\$ 16,746,588	\$ 24,878,024	\$ 1,473,430	\$ (91,721,996)

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS  
STATEMENT OF ACTIVITIES (CONTINUED)  
YEAR ENDED JUNE 30, 2018**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>CHANGES IN NET POSITION</b>			
Net (Expense) Revenue (From Previous Page)	\$ (87,915,431)	\$ (3,806,565)	\$ (91,721,996)
General Revenues:			
Real Estate and Personal Property Taxes	88,689,551	-	88,689,551
Motor Vehicle and Other Excise Taxes	4,022,522	-	4,022,522
Penalties and Interest on Taxes	306,584	-	306,584
Payments in Lieu of Taxes	50,967	-	50,967
Grants and Contributions not Restricted to Specific Programs	1,941,575	-	1,941,575
Unrestricted Investment Income	363,968	-	363,968
Transfers, Net	(4,056,400)	4,056,400	-
Total General Revenues and Transfers	91,318,767	4,056,400	95,375,167
<b>CHANGE IN NET POSITION</b>	3,403,336	249,835	3,653,171
Net Position - Beginning of Year (As Restated)	99,704,779	14,999,409	114,704,188
<b>NET POSITION - END OF YEAR</b>	<u>\$ 103,108,115</u>	<u>\$ 15,249,244</u>	<u>\$ 118,357,359</u>

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS  
GOVERNMENT FUNDS  
BALANCE SHEET  
JUNE 30, 2018**

<b>ASSETS</b>	General	School Construction	Nonmajor Governmental Funds	Total Governmental Funds
Cash and Cash Equivalents	\$ 19,005,656	\$ -	\$ -	\$ 19,005,656
Investments	4,661,120	-	-	4,661,120
Receivables, Net of Allowance for Uncollectible Amounts:				
Real Estate and Personal Property Taxes	856,950	-	-	856,950
Real Estate Tax Deferrals	570,247	-	-	570,247
Tax Liens	724,556	-	-	724,556
Motor Vehicle and Other Excise Taxes	173,556	-	-	173,556
Departmental and Other	306,822	-	117,980	424,802
Intergovernmental	1,297,389	1,187,881	431,169	2,916,439
Tax Foreclosures	13,603	-	-	13,603
Restricted Assets:				
Cash and Cash Equivalents	2,977,517	7,117,011	6,604,467	16,698,995
Investments	-	-	5,811,261	5,811,261
Total Assets	<u>\$ 30,587,416</u>	<u>\$ 8,304,892</u>	<u>\$ 12,964,877</u>	<u>\$ 51,857,185</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Warrants Payable	\$ 588,261	\$ 234,917	\$ 91,556	\$ 914,734
Accrued Payroll	491,881	113	32,140	524,134
Tax Refunds Payable	40,000	-	-	40,000
Other Liabilities	46,680	-	100,692	147,372
Workers' Compensation Claims	173,105	-	-	173,105
Short-Term Notes Payable	-	4,300,000	-	4,300,000
Total Liabilities	1,339,927	4,535,030	224,388	6,099,345
 <b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	3,629,577	-	117,980	3,747,557
 <b>FUND BALANCES</b>				
Nonspendable	-	-	2,551,695	2,551,695
Restricted	3,039,377	3,769,862	10,125,631	16,934,870
Committed	9,365,412	-	-	9,365,412
Assigned	1,392,515	-	-	1,392,515
Unassigned	11,820,608	-	(54,817)	11,765,791
Total Fund Balances	<u>25,617,912</u>	<u>3,769,862</u>	<u>12,622,509</u>	<u>42,010,283</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 30,587,416</u>	<u>\$ 8,304,892</u>	<u>\$ 12,964,877</u>	<u>\$ 51,857,185</u>

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS  
GOVERNMENT FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	General	School Construction	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Real Estate and Personal Property Taxes	\$ 88,575,260	\$ -	\$ -	\$ 88,575,260
Motor Vehicle and Other Excise Taxes	4,037,869	-	-	4,037,869
Tax Liens	43,048	-	-	43,048
Payments in Lieu of Taxes	50,967	-	-	50,967
Charges for Services	-	-	2,630,724	2,630,724
Trash Disposal	1,479,287	-	-	1,479,287
Intergovernmental	22,622,104	369,620	3,111,989	26,103,713
Special Assessments	1,595	-	-	1,595
Penalties and Interest on Taxes	306,584	-	-	306,584
Licenses and Permits	1,604,580	-	255,721	1,860,301
Fines and Forfeitures	30,251	-	-	30,251
Departmental and Other	1,720,474	-	1,891,825	3,612,299
Contributions	-	-	855,226	855,226
Investment Income	600,823	-	536,050	1,136,873
<b>Total Revenues</b>	<b>121,072,842</b>	<b>369,620</b>	<b>9,281,535</b>	<b>130,723,997</b>
<b>EXPENDITURES</b>				
Current:				
General Government	6,722,471	-	3,527,165	10,249,636
Public Safety	9,886,778	-	1,255,201	11,141,979
Education	60,424,692	7,716,702	5,676,679	73,818,073
Public Works	8,596,610	-	1,737,053	10,333,663
Health and Human Services	659,946	-	152,155	812,101
Culture and Recreation	1,906,826	-	120,687	2,027,513
Pension Benefits	4,249,322	-	-	4,249,322
Employee Benefits	10,719,588	-	-	10,719,588
Property and Liability Insurance	388,685	-	-	388,685
State and County Charges	552,349	-	-	552,349
Debt Service:				
Principal	6,936,206	-	-	6,936,206
Interest	5,413,880	-	-	5,413,880
<b>Total Expenditures</b>	<b>116,457,353</b>	<b>7,716,702</b>	<b>12,468,940</b>	<b>136,642,995</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>4,615,489</b>	<b>(7,347,082)</b>	<b>(3,187,405)</b>	<b>(5,918,998)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of Bonds and Notes	-	6,341,700	12,743,300	19,085,000
Premium from Issuance of Bonds and Notes	90,067	258,140	631,547	979,754
Transfers In	1,281,816	350,000	907,173	2,538,989
Transfer Out	(6,270,027)	-	(325,362)	(6,595,389)
<b>Total Other Financing Sources (Uses)</b>	<b>(4,898,144)</b>	<b>6,949,840</b>	<b>13,956,658</b>	<b>16,008,354</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(282,655)</b>	<b>(397,242)</b>	<b>10,769,253</b>	<b>10,089,356</b>
Fund Balances - Beginning of Year	25,900,567	4,167,104	1,853,256	31,920,927
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 25,617,912</b>	<b>\$ 3,769,862</b>	<b>\$ 12,622,509</b>	<b>\$ 42,010,283</b>

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TOTAL FUND  
BALANCES TO THE STATEMENT OF NET POSITION  
YEAR ENDED JUNE 30, 2018**

Total Governmental Fund Balances	\$ 42,010,283
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	310,824,121
Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds	3,747,557
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	(2,744,024)
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	(143,619,341)
Compensated Absences	(1,556,099)
Net Pension Liability	(22,490,201)
Total OPEB Liability	(83,323,985)
In the statement of net position, deferred outflows of resources are reported for amounts related to pensions	5,826,249
In the statement of net position, deferred inflows of resources are reported for amounts related to pensions	<u>(5,566,445)</u>
Net Position of Governmental Activities	<u><u>\$ 103,108,115</u></u>

*See accompanying Notes to 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**  
**YEAR ENDED JUNE 30, 2018**

Net Change in Fund Balances - Total Governmental Funds	\$ 10,089,356
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts represent the related activity of the current period.</p>	
Capital Outlays	16,077,355
Depreciation	(4,657,716)
<p>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</p>	
	(2,139)
<p>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.</p>	
	(336,401)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts represent the related activity of the current period.</p>	
Proceeds of Bonds	(19,085,000)
Unamortized Premiums from Issuance of Bonds	(778,889)
Bond Maturities	6,936,206
<p>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due. This amount represents the net change in accrued interest payable</p>	
	(500,363)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. These amounts represent the net changes:</p>	
Environmental Remediation	46,758
Compensated Absences	38,191
Net Pension Liability	7,294,722
Total OPEB Liability	(3,841,192)
<p>In the statement of activities, deferred outflows related to pensions are amortized and recognized as pension expense. This amount represents the net change in deferred outflows related to pensions.</p>	
	(4,172,623)
<p>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.</p>	
	(3,704,929)
Changes in Net Position of Governmental Activities	\$ 3,403,336

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF FUND NET POSITION  
 JUNE 30, 2018**

	Business-Type Activities - Enterprise Funds		
	Water/ Sewer	Recreation (Nonmajor)	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 2,530,479	\$ 554,118	\$ 3,084,597
Restricted Cash and Cash Equivalents	2,801,082	-	2,801,082
Receivables, Net of Allowance for Uncollectible Amounts:			
User Charges	2,050,694	-	2,050,694
Utility Liens	29,734	-	29,734
Total Current Assets	7,411,989	554,118	7,966,107
Noncurrent Assets:			
Capital Assets not being Depreciated	645,982	-	645,982
Capital Assets, Net of Accumulated Depreciation	19,848,085	19,296	19,867,381
Total Noncurrent Assets	20,494,067	19,296	20,513,363
Total Assets	27,906,056	573,414	28,479,470
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to Pensions	72,988	64,952	137,940
<b>LIABILITIES</b>			
Current Liabilities:			
Warrants Payable	207,392	34,095	241,487
Accrued Payroll	32,035	43,935	75,970
Accrued Interest	57,308	-	57,308
Compensated Absences	5,865	-	5,865
Short-Term Notes Payable	425,000	-	425,000
Long-Term Bonds and Notes Payable	1,149,247	-	1,149,247
Total Current Liabilities	1,876,847	78,030	1,954,877
Noncurrent Liabilities:			
Compensated Absences	52,772	-	52,772
Net Pension Liability	513,134	293,944	807,078
Total OPEB Liability	2,181,746	1,299,278	3,481,024
Long-Term Bonds and Notes Payable	6,811,347	-	6,811,347
Total Noncurrent Liabilities	9,558,999	1,593,222	11,152,221
Total Liabilities	11,435,846	1,671,252	13,107,098
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to Pensions	175,046	86,022	261,068
<b>FUND NET POSITION</b>			
Net Investment in Capital Assets	14,909,555	19,296	14,928,851
Unrestricted	1,458,597	(1,138,204)	320,393
Total Net Position	\$ 16,368,152	\$ (1,118,908)	\$ 15,249,244

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 JUNE 30, 2018**

	Business-Type Activities - Enterprise Funds		
	Water/ Sewer	Recreation (Nonmajor)	Total
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 5,670,213	\$ 1,857,957	\$ 7,528,170
Penalties and Interest	24,985	-	24,985
Total Operating Revenues	5,695,198	1,857,957	7,553,155
<b>OPERATING EXPENSES</b>			
Cost of Service and Administration	2,739,859	1,980,908	4,720,767
MWRA Assessment	6,266,381	-	6,266,381
Depreciation	718,921	1,548	720,469
Total Operating Expenses	9,725,161	1,982,456	11,707,617
<b>OPERATING LOSS</b>	(4,029,963)	(124,499)	(4,154,462)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment Income	43,692	2,841	46,533
Interest Expense	(184,560)	-	(184,560)
Total Nonoperating Revenues (Expenses), Net	(140,868)	2,841	(138,027)
<b>LOSS BEFORE TRANSFERS</b>	(4,170,831)	(121,658)	(4,292,489)
Capital Contributions	485,924	-	485,924
Transfers In	4,838,889	197,108	5,035,997
Transfers Out	(873,100)	(106,497)	(979,597)
Total Transfers	4,451,713	90,611	4,542,324
<b>CHANGE IN FUND NET POSITION</b>	280,882	(31,047)	249,835
Fund Net Position - Beginning of Year (As Restated)	16,087,270	(1,087,861)	14,999,409
<b>FUND NET POSITION - END OF YEAR</b>	<u>\$ 16,368,152</u>	<u>\$ (1,118,908)</u>	<u>\$ 15,249,244</u>

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2018**

	Business-Type Activities - Enterprise Funds		
	Water/ Sewer	Recreation (Nonmajor)	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers and Users	\$ 5,688,144	\$ 1,857,957	\$ 7,546,101
Payments to Vendors	(7,568,872)	(809,264)	(8,378,136)
Payments to Employees	(1,195,252)	(1,088,162)	(2,283,414)
Net Cash Used by Operating Activities	(3,075,980)	(39,469)	(3,115,449)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers In	4,838,889	197,108	5,035,997
Transfers Out	(873,100)	(106,497)	(979,597)
Net Cash Provided by Noncapital Financing Activities	3,965,789	90,611	4,056,400
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from the Issuance of Bonds and Notes	1,261,975	-	1,261,975
Capital Contributions (MWRA Grant)	485,924	-	485,924
Acquisition and Construction of Capital Assets	(366,653)	-	(366,653)
Principal Payments on Bonds and Notes	(1,083,910)	-	(1,083,910)
Interest Paid	(232,044)	-	(232,044)
Net Cash Used by Capital and Related Financing Activities	65,292	-	65,292
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment Income	43,692	2,841	46,533
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	998,793	53,983	1,052,776
Cash and Cash Equivalents at Beginning of Year (includes \$1,496,448 reported as restricted in Water/Sewer)	4,332,768	500,135	4,832,903
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b> (includes \$2,801,082 reported as restricted in Water/Sewer)	\$ 5,331,561	\$ 554,118	\$ 5,885,679
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ (4,029,963)	\$ (124,499)	\$ (4,154,462)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Changes in Assets and Liabilities not Requiring Current Cash Flows:			
Depreciation	718,921	1,548	720,469
Net Pension Liability	(262,231)	(120,967)	(383,198)
Deferred Outflows Related to Pension	149,998	69,194	219,192
Deferred Inflows Related to Pension	133,185	61,439	194,624
Total OPEB Liability	100,578	59,896	160,474
Effect of Changes in Operating Assets and Liabilities:			
Utility Liens	(6,654)	-	(6,654)
User Charges	(400)	-	(400)
Warrants Payable	119,859	1,941	121,800
Accrued Payroll	9,016	11,979	20,995
Compensated Absences	(8,289)	-	(8,289)
Total Adjustments	953,983	85,030	1,039,013
Net Cash Provided by Operating Activities	\$ (3,075,980)	\$ (39,469)	\$ (3,115,449)

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2018**

	Pension Trust Fund (As of 12/31/17)	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,243,565	\$ 61,187	\$ 1,095,249
Investments:			-
Equities	72,980,837	6,171	-
U.S. Treasury and Agencies	-	20,809	-
Fixed Income Mutual Funds	17,945,006	734,498	-
Real Estate	6,321,924	-	-
External Investment Pool	22,826,765	-	-
Interest and Dividends	3,530	-	-
Receivables, Net of Allowance for Uncollectible Amounts:			
Departmental and Other	44,999	-	-
Total Assets	123,366,626	822,665	\$ 1,095,249
<b>LIABILITIES</b>			
Warrants Payable	43,728	-	15,024
Other Liabilities	-	-	980,834
Liabilities Due Depositors	-	-	99,391
Total Liabilities	43,728	-	\$ 1,095,249
<b>NET POSITION</b>			
Net Position Restricted for Pension and Other Purposes	\$ 123,322,898	\$ 822,665	

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2018**

	Pension Trust Fund (As of 12/31/17)	Private Purpose Trust Funds
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 4,515,896	\$ -
Plan Members	2,082,000	-
Total Contributions	6,597,896	-
Net Investment Income:		
Net Appreciation/(Depreciation) in Fair Value of Investments	15,702,677	52,303
Interest	1,023,748	21,963
Total Investment Income	16,726,425	74,266
Less: Investment Expense	(242,425)	-
Net Investment Income	16,484,000	74,266
Other	784,800	-
Total Additions	23,866,696	74,266
<b>DEDUCTIONS</b>		
Administration	128,000	-
Retirement Benefits and Refunds	7,632,000	-
Transfers to Other Systems	783,444	-
Scholarships Awarded	-	20,834
Total Deductions	8,543,444	20,834
<b>CHANGE IN NET POSITION</b>	15,323,252	53,432
Net Position - Beginning of Year	107,999,646	769,233
<b>NET POSITION - END OF YEAR</b>	\$ 123,322,898	\$ 822,665

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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 Select Board.

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 Select Board 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, 2018**

**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 2018 assessment totaled approximately \$158,000. 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, 2018, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions*
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*
- GASB Statement No. 85, *Omnibus 2017*
- GASB Statement No. 86, *Certain Debt Extinguishment Issues*

The implementation of GASB Statement No. 75 resulted in, among other things, the establishment of the total other post-employment benefit (OPEB) liability in the Statement of Net Position and enhanced disclosures related to the OPEB, As a result, the Town has restated its 2018 beginning net position to reflect the implementation of the Statement. The cumulative effect of change in accounting principle is as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Water and Sewer</u>	<u>Recreation</u>
Net Position, June 30, 2017, as Previously Reported	\$ 147,636,233	\$ 17,049,919	\$ 17,286,210	\$ (236,291)
Cumulative Effect of Application of GASB 75, OPEB Liability	<u>(47,931,454)</u>	<u>(2,050,510)</u>	<u>(1,198,940)</u>	<u>(851,570)</u>
Net Position, June 30, 2017, as Restated	<u>\$ 99,704,779</u>	<u>\$ 14,999,409</u>	<u>\$ 16,087,270</u>	<u>\$ (1,087,861)</u>

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**C. Implementation of New Accounting Principles (Continued)**

The implementation of GASB Statement No. 85 resulted in additional required supplementary information related to OPEB.

The implementation of GASB Statement No. 81 and 86 had no reporting impact.

**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 nonfiduciary 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, 2018**

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

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

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

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

Fund Financial Statements (Continued)

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

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

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

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

The following major proprietary fund is reported:

The *Water and Sewer Enterprise Fund* is used to account for water and sewer activities.

The following nonmajor proprietary fund is reported:

The *Recreation Enterprise Fund* is used to account for recreation activities.

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

The following fiduciary fund types are reported:

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

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

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

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

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

**F. Deposits and Investments**

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

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

Pooled Funds

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

Real Estate

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

Alternative Investments

Alternative investments are recorded at fair value 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.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**G. Accounts Receivable (Continued)**

**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 in accordance with Massachusetts General Law (MGL) 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 in accordance with MGL and are included as a lien on the property owner's tax bill. Water and sewer charges are recorded as receivables when levied.

**Special Assessments**

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

**Departmental and Other**

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

**Intergovernmental**

Various state and federal operating and capital grants are applied for and received annually. For nonexpenditure 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.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**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.

**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 acquisition value at the date of donation.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**K. Capital Assets (Continued)**

Government-Wide and Proprietary Fund Financial Statements (Continued)

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

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.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**M. Interfund Transfers**

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

**N. Deferred 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.

Deferred outflows of resources related to pensions are reported in the government-wide and proprietary funds statements of net position.

**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.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**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 post-employment benefits* (OPEB) represent restrictions for current and future retirees’ health and life insurance benefits.

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

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

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

*Other specific purposes* 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 noncontractual encumbrances can be made by individual department heads.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

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

Governmental Funds Financial Statements (Fund Balances) (Continued)

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

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

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

The Town adopted a General Fund balance policy as of December 31, 2008. It is the Town's policy to maintain a sum in operating reserves that is no less than 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 MGL.

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

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**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.

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.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**W. Total Column (Continued)**

Fund Financial Statements

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

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. BUDGETARY INFORMATION**

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting vote. The Finance Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote 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 noncontinuing 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 2018 approved budget for the General Fund authorized \$113,450,295 in appropriations. During fiscal year 2018, supplemental appropriations totaling \$2,400,131 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 General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance – Non-GAAP Budgetary Basis – Budget and Actual, 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.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**B. FUND DEFICITS**

At June 30, 2018, a temporary fund deficit exists in the special duty details fund in the amount of \$54,817, which will be funded by user charges and available funds.

**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, 2018, \$17,834,261 of the Town's bank balance of \$19,856,159 was uninsured and uncollateralized.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**Town (Excluding the Pension Trust Fund) (Continued)**

Investments Summary

The Town's investments at June 30, 2018 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
<u>Debt Securities:</u>				
U.S. Treasuries.....	\$ 383,185	\$ 143,310	\$ 179,209	\$ 60,666
U.S. Agencies.....	1,618,269	224,593	1,393,676	-
Corporate bonds.....	435,219	-	435,219	-
Municipal bonds.....	63,451	-	-	63,451
Money market mutual funds.....	2,616,622	2,616,622	-	-
Certificate of deposits.....	4,483,798	2,602,268	1,881,530	-
Fixed income securities.....	2,361,415	1,926,196	435,219	-
External investment pools.....	16,599,944	16,599,944	-	-
Total debt securities.....	28,561,903	24,112,933	4,324,853	124,117
<u>Other Investments:</u>				
Equity mutual funds.....	6,372,319			
Total investments.....	<u>\$ 34,934,222</u>			

\* Some amounts in this table are reported as Cash and Cash Equivalents in the financial statements in accordance with policies disclosed in Note 1

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, 2018, the Town was not exposed to custodial credit risk.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**Town (Excluding the Pension Trust Fund) (Continued)**

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 MGL Chapter 44. As of June 30, 2018, the credit quality ratings of the Town's investments in debt securities are as follows:

Investment Type	Fair Value	Quality Ratings (1)					
		AAA	AA+	AA	A+	BBB+	Unrated
U.S. Treasuries.....	\$ 383,185	\$ 227,468	\$ 155,717	\$ -	\$ -	\$ -	\$ -
U.S. Agencies.....	1,618,269	-	1,618,269	-	-	-	-
Corporate bonds.....	435,219	-	-	-	333,872	101,347	-
Municipal bonds.....	63,451	21,053	-	42,398	-	-	-
Money market mutual funds.....	2,616,622	-	-	-	-	-	2,616,622
Certificates of deposit.....	4,483,798	-	-	-	-	-	4,483,798
Fixed income securities.....	2,361,415	-	-	-	-	-	2,361,415
External investment pools.....	16,599,944	-	-	-	-	-	16,599,944
<b>Total.....</b>	<b>\$ 28,561,903</b>	<b>\$ 248,521</b>	<b>\$ 1,773,986</b>	<b>\$ 42,398</b>	<b>\$ 333,872</b>	<b>\$ 101,347</b>	<b>\$ 26,061,779</b>

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

Investments – Fair Value Measurements

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**Town (Excluding the Pension Trust Fund) (Continued)**

Investments – Fair Value Measurements (Continued)

Investments by Fair Value Level	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Debt Securities:</u>				
U.S. Treasuries.....	\$ 383,185	\$ 383,185	\$ -	\$ -
U.S. Agencies.....	1,618,269	1,618,269	-	-
Corporate bonds.....	435,219	435,219	-	-
Municipal Bonds.....	63,451	63,451	-	-
Fixed Income Securities.....	2,361,415	2,361,415	-	-
Total Debt Securities.....	4,861,539	4,861,539	-	-
<u>Equity Securities:</u>				
Equity mutual funds.....	6,372,319	6,372,319	-	-
Total Investments by Fair Value Level .....	\$ 11,233,858	\$ 11,233,858	\$ -	\$ -

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

**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.

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, 2017, the System was not exposed to custodial credit risk

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**The System (Continued)**

Investment Summary

The System's investments at December 31, 2017 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

<u>Investment Type*</u>	<u>Total Amount</u>	<u>Investment Maturities (in Years) Less Than 1</u>
<u>Debt Securities:</u>		
Money Market Mutual Funds.....	\$ 3,219,435	\$ 3,219,435
Fixed Income Mutual Funds.....	17,945,006	17,945,006
External Investment Pool (PRIT).....	<u>22,826,765</u>	<u>22,826,765</u>
Total Debt Securities.....	43,991,206	43,991,206
<u>Other Investments:</u>		
Equity Mutual Funds.....	72,980,836	
Real Estate Funds.....	<u>6,321,924</u>	
Total Other Investments.....	<u>79,302,760</u>	
Total Investments.....	<u>\$ 123,293,966</u>	

\* Some amounts in this table are reported as Cash and Cash Equivalents in the financial statements in accordance with policies disclosed in Note 1

Subsequent Event

Subsequent to the System's fiscal year-end date of December 31, 2017, the System transferred all of its investments to PRIT.

Investments - Interest Rate Risk of Debt Securities

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

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System does not have a policy for custodial credit risk of investments. As of December 31, 2017, \$2,811,332 of real estate investments within the System's investments of \$123,293,966 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.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**The System (Continued)**

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, 2017, the credit quality ratings of the System's debt securities are as follows:

Quality Ratings *	Money Market Mutual Funds	Fixed Income Mutual Funds	External Investment Pools	Total
AAA.....	\$ -	\$ 11,256,902	\$ -	\$ 11,256,902
AA.....	-	769,841	-	769,841
A.....	-	2,585,875	-	2,585,875
BBB.....	-	2,874,790	-	2,874,790
BB.....	-	3,589	-	3,589
Below B.....	-	166,889	-	166,889
Unrated.....	3,219,435	287,120	22,826,765	26,333,320
<b>Total.....</b>	<b>\$ 3,219,435</b>	<b>\$ 17,945,006</b>	<b>\$ 22,826,765</b>	<b>\$ 43,991,206</b>

\*Per the median quality ratings of Fitch's, Moody's or Standard and Poor's

Investments – Fair Value Measurements

The System categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investment Type	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level:</b>				
Money Market Mutual Funds.....	\$ 3,219,435	\$ 3,219,435	\$ -	\$ -
Equity Mutual Funds.....	72,980,836	72,980,836	-	-
Fixed Income Mutual Funds.....	17,945,006	17,945,006	-	-
Total Investments by Fair Value Level.....	94,145,277	<u>\$ 94,145,277</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Investments measured at the NAV:</b>				
External Investment Pools (PRIT).....	22,826,765			
Real Estate Funds.....	6,321,924			
Total Investments measured at the NAV.....	29,148,689			
Total Investments.....	<u>\$ 123,293,966</u>			

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**The System (Continued)**

Investments – Fair Value Measurements (Continued)

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
External Investment Pools (PRIT) (1).....	\$ 22,826,765	\$ -	Monthly	24 Hours
Real Estate Funds (2).....	<u>6,321,924</u>	-	Quarterly	90 Days
Total Investments Measured at the NAV.....	<u>\$ 29,148,689</u>			

(1) The PRIT fund is an external investment pool that is not registered with the Securities and Exchange Commission, but is subject to oversight provided by the Pension Reserves Investment Management Board (the PRIM Board). The PRIM Board was created by legislation to provide general supervision of the investments and management of PRIT. The fair value of the PRIT pooled fund is based on unit value (NAV) as reported by management of the PRIT fund.

(2) Real Estate Funds: This type includes real estate funds that invest primarily in U.S. commercial real estate and value added opportunities. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. The investments can never be redeemed with the funds. Distributions from each of these funds will be received as the underlying investments of the funds are liquidated, and at the discretion of the fund trustee. It is expected that the underlying assets of the funds will be liquidated over the next one to two years.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

**The System (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. The System does not have a policy for foreign currency risk. As of December 31, 2017, the System’s exposure to foreign currency risk is as follows:

Investment Type	U.S. Dollar Balances	Currency
Equity Mutual Funds.....	\$ 6,769,174	Euro
Equity Mutual Funds.....	5,016,597	Japanese Yen
Equity Mutual Funds.....	3,744,919	British Pound
Equity Mutual Funds.....	1,676,512	Swiss Franc
Equity Mutual Funds.....	1,446,132	Austrialian Dollar
Equity Mutual Funds.....	1,710,210	Chinese Yuan
Equity Mutual Funds.....	932,737	Korean won
Equity Mutual Funds.....	744,977	Hong Kong Dollar
Equity Mutual Funds.....	559,255	Swedish Krona
Equity Mutual Funds.....	650,492	New Taiwan Dollar
Equity Mutual Funds.....	506,772	Indian Rupee
Equity Mutual Funds.....	379,792	Danish Krone
Equity Mutual Funds.....	411,536	South African Rand
Equity Mutual Funds.....	393,643	Brazilian Real
Equity Mutual Funds.....	277,541	Singapore Dollar
Equity Mutual Funds.....	169,116	Mexican Peso
Equity Mutual Funds.....	192,781	Russian Ruble
Equity Mutual Funds.....	98,078	Israeli New Sheqel
Equity Mutual Funds.....	135,639	Malaysian Ringgit
Equity Mutual Funds.....	129,867	Indonesian Rupiah
Equity Mutual Funds.....	137,727	Norwegian Krone
Equity Mutual Funds.....	131,022	Thai Baht
Equity Mutual Funds.....	65,222	Philippine Peso
Equity Mutual Funds.....	61,759	Turkish Lira
Equity Mutual Funds.....	77,343	Polish Zloty
Equity Mutual Funds.....	72,149	Chilean Peso
Equity Mutual Funds.....	32,323	Qatar
Equity Mutual Funds.....	37,517	United Arab Emirates
Equity Mutual Funds.....	35,475	New Zealand Dollar
Equity Mutual Funds.....	21,933	Colombian Peso
Equity Mutual Funds.....	21,356	Peruvian Nuevo Sol
Total.....	<u>\$ 26,639,596</u>	

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 4 ACCOUNTS RECEIVABLE**

At June 30, 2018, 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:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 856,950	\$ -	\$ 856,950
Real estate tax deferrals.....	570,247	-	570,247
Tax liens.....	724,556	-	724,556
Motor vehicle and other excise taxes.....	395,741	(222,185)	173,556
Departmental and other.....	751,191	(281,389)	469,802
Intergovernmental.....	2,916,439	-	2,916,439
Total.....	<u>\$ 6,215,124</u>	<u>\$ (503,574)</u>	<u>\$ 5,711,550</u>

At June 30, 2018, receivables for the Water/Sewer Enterprise Fund consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
User charges.....	\$ 2,050,694	\$ -	\$ 2,050,694
Utility liens.....	29,734	-	29,734
Total.....	<u>\$ 2,080,428</u>	<u>\$ -</u>	<u>\$ 2,080,428</u>

**McCall Middle School**

The Massachusetts School Building Authority (MSBA) provides contract assistance to the Town for the completed McCall Middle School construction project. The assistance program provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2018, \$672,082 of such assistance was received and is reported as revenue in the General Fund. \$2,016,246 will be received in future fiscal years. Of this amount, \$718,857 represents reimbursement of long-term interest costs, and \$1,297,389 represents reimbursement of approved construction costs. Accordingly, a \$1,297,389 intergovernmental receivable and corresponding deferred inflow have been reported on the General Fund balance sheet. 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, 2018**

**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 included approximately \$31,800,000 of costs that are considered excludable in accordance with MSBA's reimbursement policy. Based on the most recently approved amendments, the MSBA has approved a maximum grant totaling approximately \$43,100,000 representing 42.92% of the MSBA allowable costs totaling approximately \$100,420,000. During fiscal year 2018, approximately \$370,000 of grant assistance was received and accrued and is reported as revenue in the School Construction fund. As of June 30, 2018, approximately \$129,000,000 has been spent on the project and approximately \$41,080,000 in grants has been received and accrued to date. An intergovernmental receivable of \$1,187,881 has been reported on the School Construction balance sheet for costs incurred but not yet reimbursed as of June 30, 2018.

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance at 6/30/17	Increases	Decreases	Balance at 6/30/18
<b>Governmental Activities:</b>				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 64,731,516	\$ -	\$ -	\$ 64,731,516
Construction in progress.....	127,030,358	14,126,020	(4,210,823)	136,945,555
Total capital assets not being depreciated.....	191,761,874	14,126,020	(4,210,823)	201,677,071
<u>Capital assets being depreciated:</u>				
Land improvements.....	11,185,816	987,423	-	12,173,239
Buildings and improvements.....	139,651,162	1,161,996	-	140,813,158
Machinery and equipment.....	11,323,145	608,774	-	11,931,919
Vehicles.....	5,267,669	379,633	(51,956)	5,595,346
Infrastructure.....	34,446,956	3,024,332	(662,097)	36,809,191
Total capital assets being depreciated.....	201,874,748	6,162,158	(714,053)	207,322,853
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(4,830,958)	(424,560)		(5,255,518)
Buildings and improvements.....	(49,584,398)	(3,076,411)		(52,660,809)
Machinery and equipment.....	(9,607,601)	(441,131)		(10,048,732)
Vehicles.....	(4,281,750)	(330,829)	49,817	(4,562,762)
Infrastructure.....	(25,925,294)	(384,785)	662,097	(25,647,982)
Total accumulated depreciation.....	(94,230,001)	(4,657,716)	711,914	(98,175,803)
Total capital assets being depreciated, net.....	107,644,747	1,504,442	(2,139)	109,147,050
Total governmental activities capital assets, net.....	\$ 299,406,621	\$ 15,630,462	\$ (4,212,962)	\$ 310,824,121

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

<b>Business-Type Activities:</b>	<u>Balance at 6/30/17</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 6/30/18</u>
<b><i>Water/Sewer:</i></b>				
<b><u>Capital assets not being depreciated:</u></b>				
Construction in progress.....	\$ 2,001,035	\$ 206,359	\$ (1,561,412)	\$ 645,982
<b><u>Capital assets being depreciated:</u></b>				
Land improvements.....	1,679,786	-	-	1,679,786
Buildings and improvements.....	7,324,527	-	-	7,324,527
Machinery and equipment.....	1,599,794	-	-	1,599,794
Vehicles.....	840,068	-	-	840,068
Infrastructure.....	18,257,091	1,721,706	-	19,978,797
Total capital assets being depreciated.....	29,701,266	1,721,706	-	31,422,972
<b><u>Less accumulated depreciation for:</u></b>				
Land improvements.....	(486,063)	(81,792)	-	(567,855)
Buildings and improvements.....	(2,961,809)	(150,647)	-	(3,112,456)
Machinery and equipment.....	(1,216,797)	(53,592)	-	(1,270,389)
Vehicles.....	(666,168)	(37,483)	-	(703,651)
Infrastructure.....	(5,525,129)	(395,407)	-	(5,920,536)
Total accumulated depreciation.....	(10,855,966)	(718,921)	-	(11,574,887)
Total capital assets being depreciated, net.....	18,845,300	1,002,785	-	19,848,085
Total water/sewer capital assets, net.....	20,846,335	1,209,144	(1,561,412)	20,494,067
<b><i>Recreation:</i></b>				
<b><u>Capital assets being depreciated:</u></b>				
Land improvements.....	364,965	-	-	364,965
Buildings and improvements.....	10,716	-	-	10,716
Machinery and equipment.....	16,840	-	-	16,840
Total capital assets being depreciated.....	392,521	-	-	392,521
<b><u>Less accumulated depreciation for:</u></b>				
Land improvements.....	(361,401)	(211)	-	(361,612)
Buildings and improvements.....	(10,089)	(214)	-	(10,303)
Machinery and equipment.....	(187)	(1,123)	-	(1,310)
Total accumulated depreciation.....	(371,677)	(1,548)	-	(373,225)
Total capital assets being depreciated, net.....	20,844	(1,548)	-	19,296
Total recreation capital assets, net.....	20,844	(1,548)	-	19,296
Total business-type activities capital assets, net.....	\$ 20,867,179	\$ 1,207,596	\$ (1,561,412)	\$ 20,513,363

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 5 CAPITAL ASSETS (CONTINUED)**

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

<b>Governmental Activities:</b>	
General government.....	\$ 478,874
Public safety.....	405,266
Education.....	2,518,900
Public works.....	808,184
Health and human services.....	6,772
Culture and recreation.....	<u>439,720</u>
Total depreciation expense - governmental activities.....	<u>\$ 4,657,716</u>
 <b>Business-Type Activities:</b>	
Water/Sewer.....	\$ 718,921
Recreation.....	<u>1,548</u>
Total depreciation expense - business-type activities.....	<u>\$ 720,469</u>

**NOTE 6 INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2018, are summarized below:

Transfers Out:	Transfers In:					Total
	General Fund	School Construction Fund	Nonmajor Governmental Funds	Water/Sewer Enterprise Fund	Recreation Enterprise Fund	
General Fund.....	\$ -	\$ 350,000	\$ 884,030	\$ 4,838,889	\$ 197,108	\$ 6,270,027 (1)
Nonmajor Governmental Funds...	325,362	-	-	-	-	325,362 (2)
Water/Sewer Enterprise Fund.....	849,957	-	23,143	-	-	873,100 (3)
Recreation Enterprise Fund.....	106,497	-	-	-	-	106,497 (3)
	<u>\$ 1,281,816</u>	<u>\$ 350,000</u>	<u>\$ 907,173</u>	<u>\$ 4,838,889</u>	<u>\$ 197,108</u>	<u>\$ 7,574,986</u>

- (1) Represents transfers to the water/sewer enterprise fund for budgeted subsidy (\$4,816,191), wage allocation (\$5,698) and Thornberry pump station (\$17,000). Represents transfers to the recreation enterprise fund for budgeted subsidy (\$175,000) and for recreation enterprise fund wage allocation (\$22,108). Also represents a transfer from free cash (\$309,685), and a transfer from reserves (\$40,315) for the McCall Middle School Phase I and Phase II renovations, a budgeted transfer (\$495,048) to the athletic revolving fund, a transfer from the SPED stabilization fund (\$309,205) to establish the SPED reserve fund, a transfer from free cash (\$70,756) to the Police Duty special revenue fund and a transfer for capital equipment (\$9,021).
- (2) Represents budgeted transfers to the general fund from the parking meter special revenue fund (\$102,000), and the cemetery perpetual care fund (\$70,000) for operations, and transfers (\$95,000 from parking receipts, \$55,000 from cemetery perpetual care) for capital articles, and the closeout of special projects (\$3,362).
- (3) Represents transfers for indirect costs allocated to Water/Sewer (\$849,957) and Recreation (\$106,497) enterprise funds related to shared employees and a transfer (\$23,143) from Water/Sewer to capital projects.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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 Funds, respectively.

Details related to the short-term debt activity for the fiscal year ended June 30, 2018, is as follows:

**Governmental Funds**

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at 6/30/2017	Increases	Decreases	Balance at 6/30/2018
BAN	High School Remodel.....	6/15/17	10/27/17	1.50%	\$ 4,700,000	\$ -	\$ (4,700,000)	\$ -
BAN	Aberjona River Flood Mitigation/Culvert.....	6/15/17	10/27/17	1.50%	2,500,000	-	(2,500,000)	-
BAN	Aberjona River Flood Mitigation/Culvert.....	10/28/16	10/27/17	1.75%	3,200,000	-	(3,200,000)	-
BAN	Skillings Field Renovation.....	10/28/16	10/27/17	1.75%	4,000,000	-	(4,000,000)	-
BAN	Vinson-Owen School Construction.....	10/28/16	10/27/17	1.18%	328,000	-	(328,000)	-
BAN	Wright/Locke Farm Land Acquisition.....	10/28/16	10/27/17	1.10%	400,000	-	(400,000)	-
BAN	Vinson Owen School Construction.....	10/27/17	6/27/18	2.00%	-	328,000	(328,000)	-
BAN	Skillings Field Environmental Remediation.....	10/27/17	6/27/18	2.00%	-	4,000,000	(4,000,000)	-
BAN	Aberjona River Flood Mitigation/Culvert.....	10/27/17	6/27/18	2.00%	-	6,700,000	(6,700,000)	-
BAN	High School Remodel.....	10/27/17	6/27/18	2.00%	-	4,700,000	(4,700,000)	-
BAN	Skillings Field Design/Construction.....	10/27/17	6/27/18	2.00%	-	2,339,000	(2,339,000)	-
BAN	High School Remodel.....	6/27/18	6/27/19	2.75%	-	4,300,000	-	4,300,000
Total.....					<u>\$ 15,128,000</u>	<u>\$ 22,367,000</u>	<u>\$ (33,195,000)</u>	<u>\$ 4,300,000</u>

**Water/Sewer Enterprise Fund**

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at 6/30/2017	Increases	Decreases	Balance at 6/30/2018
BAN	Thornberry Road Pumping Station.....	6/27/18	6/27/19	2.75%	\$ -	\$ 350,000	\$ -	\$ 350,000
BAN	Additional Thornberry Road Pumping Station.....	6/27/18	6/27/19	2.75%	-	75,000	-	75,000
Total.....					<u>\$ -</u>	<u>\$ 425,000</u>	<u>\$ -</u>	<u>\$ 425,000</u>

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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, 2018:

	Balance at 6/30/17	Increases	Decreases	Balance at 6/30/18	Current Portion
<b>Governmental Activities:</b>					
Bonds and notes payable.....	\$ 125,895,942	\$ 19,085,000	\$ (6,936,206)	\$ 138,044,736	\$ 7,644,566
Unamortized bond premiums.....	4,795,716	965,665	(186,776)	5,574,605	-
Total bonds and notes payable.....	130,691,658	20,050,665	(7,122,982)	143,619,341	7,644,566
Environmental remediation.....	46,758	-	(46,758)	-	-
Workers' compensation claims.....	249,255	82,753	(158,903)	173,105	129,829
Net pension liability.....	29,784,923	-	(7,294,722)	22,490,201	-
Net OPEB liability.....	79,482,792	3,841,193	-	83,323,985	-
Compensated absences.....	1,594,290	-	(38,191)	1,556,099	155,610
Total.....	<u>\$ 241,849,676</u>	<u>\$ 23,974,611</u>	<u>\$ (14,661,556)</u>	<u>\$ 251,162,731</u>	<u>\$ 7,930,005</u>

The governmental activities long-term liabilities are generally liquidated by the General Fund.

	Balance at 6/30/17	Increases	Decreases	Balance at 6/30/18	Current Portion
<b>Business-type Activities:</b>					
Bonds and notes payable.....	\$ 8,207,529	\$ 836,975	\$ (1,083,910)	\$ 7,960,594	\$ 1,149,247
Net pension liability.....	1,190,276	-	(383,198)	807,078	-
Net OPEB obligation.....	3,320,551	160,473	-	3,481,024	-
Compensated absences.....	66,926	-	(8,289)	58,637	5,865
Total.....	<u>\$ 12,785,282</u>	<u>\$ 997,448</u>	<u>\$ (1,475,397)</u>	<u>\$ 12,307,333</u>	<u>\$ 1,155,112</u>

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 9 LONG-TERM DEBT**

Details related to the outstanding indebtedness at June 30, 2018, 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 6/30/17	Issued	Redeemed	Outstanding at 6/30/18
10/25/00	08/01/18	\$ 72,121	MCWT (formerly MWPAT).....	4.96%	\$ 8,012	\$ -	\$ (4,006)	\$ 4,006
07/01/05	07/01/19	765,490	School building remodeling refunding.....	3.82%	212,300	-	(71,800)	140,500
07/01/05	07/01/19	165,260	School engineering refunding.....	3.82%	45,460	-	(15,400)	30,060
07/01/05	07/01/24	3,143,000	School remodeling.....	3.92%	1,335,000	-	(165,000)	1,170,000
07/01/05	07/01/24	375,000	Town building remodeling.....	3.91%	155,000	-	(20,000)	135,000
07/01/05	07/01/19	272,000	Equipment and planning.....	3.51%	15,000	-	(5,000)	10,000
07/01/05	07/01/24	375,000	Drainage - cross street.....	3.90%	155,000	-	(20,000)	135,000
07/01/06	07/01/25	440,000	Building remodeling.....	4.25%	190,000	-	(25,000)	165,000
07/01/06	07/01/25	900,150	School remodeling.....	4.24%	540,000	-	(60,000)	480,000
07/01/06	07/01/24	490,200	Lincoln school.....	4.26%	200,000	-	(25,000)	175,000
07/01/06	07/01/17	57,000	Drainage.....	4.25%	5,000	-	(5,000)	-
07/01/06	07/01/25	1,660,000	Ambrose school.....	4.24%	765,000	-	(85,000)	680,000
07/01/06	07/01/25	412,850	Building remodeling & plans.....	4.25%	135,000	-	(15,000)	120,000
07/01/08	07/01/25	2,968,000	School remodeling.....	4.13%	1,565,000	-	(175,000)	1,390,000
07/01/08	07/01/22	1,100,000	School classrooms.....	4.08%	470,000	-	(80,000)	390,000
07/01/08	07/01/27	562,000	McCall middle school design.....	4.18%	320,000	-	(30,000)	290,000
07/01/08	07/01/27	128,000	Building remodeling and plans.....	4.15%	64,000	-	(8,000)	56,000
07/01/08	07/01/28	6,188,000	McCall middle school addition.....	4.21%	3,700,000	-	(310,000)	3,390,000
07/01/08	07/01/28	1,556,000	Public safety building.....	4.21%	905,000	-	(81,000)	824,000
07/01/08	07/01/28	2,100,000	Town hall.....	4.20%	1,251,000	-	(106,000)	1,145,000
07/01/08	07/01/28	390,000	Transfer station/landfill use restoration.....	4.25%	230,000	-	(20,000)	210,000
05/01/09	05/01/29	1,644,000	Public safety building.....	3.53%	960,000	-	(80,000)	880,000
05/01/09	05/01/29	1,000,000	DPW complex.....	3.55%	600,000	-	(50,000)	550,000
05/01/09	05/01/24	1,350,000	Manchester field.....	3.24%	630,000	-	(90,000)	540,000
05/01/09	05/01/29	960,000	Fire alarms/corridor/ADA.....	3.53%	560,000	-	(50,000)	510,000
08/15/09	08/15/17	642,000	School project refunding.....	2.76%	70,000	-	(70,000)	-
08/15/09	08/15/20	8,667,000	School construction refunding.....	3.23%	3,615,000	-	(925,000)	2,690,000
04/15/10	04/15/25	1,282,000	Muraco School HVAC.....	3.22%	680,000	-	(85,000)	595,000
04/15/10	04/15/29	220,000	DPW Repairs.....	3.37%	120,000	-	(10,000)	110,000
04/28/11	04/15/36	16,000,000	Vinson-Owen School.....	4.05%	12,160,000	-	(640,000)	11,520,000
04/28/11	04/15/31	970,000	Lynch School roof repairs.....	3.65%	670,000	-	(50,000)	620,000
04/28/11	04/15/26	100,000	Muraco School HVAC.....	3.28%	45,000	-	(5,000)	40,000
04/28/11	04/15/31	3,962,000	Flood mitigation.....	3.68%	2,760,000	-	(200,000)	2,560,000
05/16/12	07/01/24	3,832,150	Ambrose School.....	2.00%	2,842,700	-	(390,350)	2,452,350
05/16/12	07/01/24	2,389,000	Lincoln School I.....	2.00%	1,785,000	-	(244,000)	1,541,000
05/16/12	07/01/24	102,500	Lincoln School II (comp).....	2.00%	76,000	-	(10,500)	65,500
05/16/12	07/01/24	490,500	Capital improvements.....	2.00%	310,000	-	(75,000)	235,000
05/16/12	07/01/24	40,350	Sewer & Dam.....	2.00%	26,800	-	(5,650)	21,150
05/16/12	07/01/24	53,500	Departmental Equipment II.....	2.00%	15,000	-	(15,000)	-
05/16/12	07/01/24	108,500	Sewer.....	2.00%	81,000	-	(11,000)	70,000
05/16/12	07/01/24	148,500	Roads.....	2.00%	93,500	-	(23,500)	70,000
05/16/12	07/01/24	630,000	Flood mitigation - Center Falls Dam.....	2.00%	380,000	-	(50,000)	330,000
07/01/14	07/01/34	1,770,000	Vinson-Owen School.....	3.20%	1,589,000	-	(90,500)	1,498,500
07/01/14	07/01/34	850,000	High School feasibility study.....	3.20%	761,000	-	(44,500)	716,500
07/01/15	07/01/21	30,715	High School feasibility study.....	5.00%	25,170	-	(5,000)	20,170
07/01/15	07/01/44	30,000,000	High School construction.....	5.00%	29,965,000	-	(1,080,000)	28,885,000
07/01/15	07/01/35	230,000	Vinson-Owen School.....	5.00%	215,000	-	(15,000)	200,000
10/15/15	10/15/35	3,420,000	Land Acquisition.....	3.44%	3,245,000	-	(175,000)	3,070,000
07/01/15	07/01/45	29,969,285	High School construction.....	5.00%	29,350,000	-	(1,015,000)	28,335,000
10/27/16	10/15/45	20,000,000	High School construction.....	3.22%	20,000,000	-	(105,000)	19,895,000
06/27/18	06/30/43	3,862,500	Skillings Field Construction & Remediation.....	2.00%	-	3,862,500	-	3,862,500
06/27/18	06/30/32	2,110,800	Skillings Field Design & Construction.....	2.00%	-	2,110,800	-	2,110,800
06/27/18	06/30/33	300,000	Skillings Field Athletic Lighting.....	2.00%	-	300,000	-	300,000
06/27/18	06/30/43	317,500	Vinson-Owen School.....	2.00%	-	317,500	-	317,500
06/27/18	06/30/43	6,024,200	McCall Middle School Phase II.....	2.00%	-	6,024,200	-	6,024,200
06/27/18	06/15/43	6,470,000	Aberjona River Culvert.....	2.00%	-	6,470,000	-	6,470,000
Total governmental funds.....					<u>\$ 125,895,942</u>	<u>\$ 19,085,000</u>	<u>\$(6,936,206)</u>	<u>\$ 138,044,736</u>
Unamortized premiums.....					4,795,716	965,665	(186,776)	5,574,605
Total governmental funds, net.....					<u>\$ 130,691,658</u>	<u>\$ 20,050,665</u>	<u>\$(7,122,982)</u>	<u>\$ 143,619,341</u>

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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>
2019.....	\$ 7,644,566	\$ 5,222,480	\$ 12,867,046
2020.....	7,610,000	4,946,049	12,556,049
2021.....	7,510,000	4,649,846	12,159,846
2022.....	6,615,170	4,370,620	10,985,790
2023.....	6,620,000	4,104,232	10,724,232
2024.....	6,540,000	3,835,835	10,375,835
2025.....	6,440,000	3,565,692	10,005,692
2026.....	5,630,000	3,304,946	8,934,946
2027.....	5,320,000	3,059,834	8,379,834
2028.....	5,370,000	2,819,614	8,189,614
2029.....	5,365,000	2,598,662	7,963,662
2030.....	4,790,000	2,406,901	7,196,901
2031.....	4,775,000	2,225,422	7,000,422
2032.....	4,650,000	2,046,282	6,696,282
2033.....	4,480,000	1,873,288	6,353,288
2034.....	4,505,000	1,704,547	6,209,547
2035.....	4,550,000	1,533,641	6,083,641
2036.....	4,460,000	1,365,520	5,825,520
2037.....	3,700,000	1,206,069	4,906,069
2038.....	3,750,000	1,080,218	4,830,218
2039.....	3,800,000	951,444	4,751,444
2040.....	3,855,000	819,195	4,674,195
2041.....	3,915,000	680,599	4,595,599
2042.....	3,985,000	536,118	4,521,118
2043.....	4,045,000	389,299	4,434,299
2044.....	3,080,000	240,492	3,320,492
2045.....	2,965,000	128,575	3,093,575
2046.....	2,075,000	36,940	2,111,940
Total.....	<u>\$ 138,044,736</u>	<u>\$ 61,702,360</u>	<u>\$ 199,747,096</u>

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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 6/30/17	Issued	Redeemed	Outstanding at 6/30/18
07/01/05	07/01/19	2,515,470	Water mains refunding.....	3.81%	\$ 688,040	\$ -	\$ (232,600)	\$ 455,440
07/01/05	07/01/19	448,780	Water mains II refunding.....	3.81%	119,200	-	(40,200)	79,000
7/1/2006	07/01/26	2,149,000	Drainage.....	4.46%	1,045,000	-	(105,000)	940,000
05/01/09	04/15/29	750,000	Phase III drainage.....	3.53%	430,000	-	(40,000)	390,000
4/15/2010	04/15/29	1,688,000	Drainage.....	3.43%	1,080,000	-	(90,000)	990,000
5/16/2012	07/01/24	210,000	Sewer pump stations.....	2.00%	120,000	-	(15,000)	105,000
05/16/12	07/01/24	1,625,000	Drainage refunding.....	2.00%	1,210,000	-	(165,000)	1,045,000
02/24/14	02/15/19	510,785	Sewer (MWRA).....	0.00%	204,314	-	(102,158)	102,156
07/01/14	07/01/34	308,000	Drainage.....	3.20%	270,000	-	(15,000)	255,000
07/01/14	07/01/34	198,000	Dam improvement planning.....	4.00%	95,000	-	(50,000)	45,000
07/01/14	07/01/34	296,000	Sewer system repairs.....	3.19%	265,000	-	(15,000)	250,000
3/15/2015	02/15/25	167,750	Sewer (MWRA).....	0.00%	134,200	-	(16,775)	117,425
5/5/2015	02/15/25	500,000	Water (MWRA).....	0.00%	400,000	-	(50,000)	350,000
7/1/2015	07/01/35	1,300,000	South Reservoir Dam Improvements I....	5.00%	1,235,000	-	(65,000)	1,170,000
7/1/2015	07/01/35	310,000	South Reservoir Dam Improvements II...	5.00%	290,000	-	(20,000)	270,000
8/22/2016	08/15/26	21,775	Sewer (MWRA).....	0.00%	21,775	-	(2,177)	19,598
2/27/2017	02/15/27	600,000	Sewer (MWRA).....	0.00%	600,000	-	(60,000)	540,000
8/14/2017	08/14/27	161,975	Water (MWRA).....	0.00%	-	161,975	-	161,975
6/11/2018	06/15/28	675,000	Water (MWRA).....	0.00%	-	675,000	-	675,000
Total water/sewer enterprise fund.....					<u>\$ 8,207,529</u>	<u>\$ 836,975</u>	<u>\$ (1,083,910)</u>	<u>\$ 7,960,594</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 noninterest-bearing loan (payable in five or ten equal annual installments). At June 30, 2018, the outstanding principal amount of these loans totaled \$1,966,154.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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>
2019.....	\$ 1,149,247	\$ 201,524	\$ 1,350,771
2020.....	992,650	173,134	1,165,784
2021.....	722,650	150,396	873,046
2022.....	717,650	133,682	851,332
2023.....	712,650	116,914	829,564
2024.....	707,650	100,119	807,769
2025.....	702,650	83,119	785,769
2026.....	485,875	67,721	553,596
2027.....	480,876	53,957	534,833
2028.....	318,696	42,260	360,957
2029.....	235,000	33,366	268,366
2030.....	110,000	25,082	135,082
2031.....	110,000	21,382	131,382
2032.....	110,000	17,263	127,263
2033.....	110,000	13,107	123,107
2034.....	110,000	8,933	118,933
2035.....	105,000	4,822	109,822
2036.....	80,000	1,399	81,399
Total.....	<u>\$ 7,960,594</u>	<u>\$1,248,180</u>	<u>\$ 9,208,775</u>

**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, 2018, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Aberjona River Flood Mitigation.....	\$ 750,000
High School Remodeling.....	4,310,041
Water/Sewer.....	5,978,520
McCall Middle School Expansion.....	5,700,000
Total.....	<u>\$ 16,738,561</u>

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 10 POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**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 and/or Select Board vote. The Plan does not issue a stand-alone financial report.

The number of participants as of June 30, 2017, the latest actuarial valuation, is as follows:

Active employees.....	828
Retired employees, beneficiaries and dependents.....	619
Total.....	1,447

**Funding Policy** - The contribution requirements of Plan members and the Town are established and may be amended by the Town. As of July 1, 2017, the required health insurance contribution rates (including Medicare Part B) of Plan members and the Town vary by health plan and range from 30 - 50% and 50 - 70%, respectively. 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.

**Total OPEB Liability**

The Town’s total OPEB liability of \$86,805,009 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2017 that was rolled forward to June 30, 2018.

*Actuarial 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.

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.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 10 POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

The significant methods and assumptions used to measure the total OPEB liability as of the latest actuarial valuation are as follows:

Discount Rate: 3.75%

Healthcare Cost Trend Rates: 4.50%

Mortality - Non-Teachers: It is assumed that both pre-retirement mortality and beneficiary mortality is represented by the RP-2014 Blue Collar Mortality with Scale MP-2016, fully generational. Mortality for retired members for Group 1 and 2 is represented by the RP-2014 Blue Collar Mortality Table set forward five years for males and 3 years for females, fully generational. Mortality for retired members for Group 4 is represented by the RP-2014 Blue Collar Mortality Table set forward three years for males, and six years for females, fully generational. Mortality for disabled members for Group 1 and 2 is represented by the RP-2000 Mortality Table set forward six years. Mortality for disabled members for Group 4 is represented by the RP-2000 Mortality Table set forward two years. Generational adjusting is based on Scale MP-2016.

Mortality - Teachers: It is assumed that both retiree mortality and beneficiary mortality are represented by the RP-2014 Mortality with Scale MP-2016, fully generational.

**Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance at June 30, 2017	\$ 82,803,343
Changes for the Year:	
Service Cost	3,384,223
Interest of Liability and Service Cost	3,184,347
Benefit Payments	(2,566,904)
Net Changes	4,001,666
Balance at June 30, 2018	\$ 86,805,009

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 10 POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)**

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
Total OPEB Liability	\$ 106,040,303	\$ 86,805,009	\$ 73,898,911

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	\$ 74,745,838	\$ 86,805,009	\$ 106,302,983

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the Town recognized OPEB expenses of \$6,568,570. At June 30, 2018, the Town did not report any deferred outflows of resources or deferred inflows of resources related to OPEB.

**NOTE 11 RISK FINANCING**

**Property and Liability Insurance and Health 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. 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.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 11 RISK FINANCING (CONTINUED)**

The liability at June 30, 2018, totaled \$173,105. Changes in the reported liability since July 1, 2016, 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 2017.....	\$ 148,860	\$ 252,993	\$ (152,598)	\$ 249,255
Fiscal year 2018.....	\$ 249,255	\$ 82,753	\$ (158,903)	\$ 173,105

The Town's liability for unemployment claims is immaterial at June 30, 2018, and therefore is not reported.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 12 FUND BALANCE**

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

	General	School Construction	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>				
Permanent fund principal.....	\$ -	\$ -	\$ 2,551,695	\$ 2,551,695
<b>Restricted for:</b>				
Debt service.....	61,860	-	-	61,860
Other post employment benefits.....	2,977,517	-	-	2,977,517
School construction.....	-	3,769,862	-	3,769,862
Flood mitigation.....	-	-	184,813	184,813
Library endowment.....	-	-	1,971,775	1,971,775
Housing funds.....	-	-	995,741	995,741
Conservation fund.....	-	-	88,083	88,083
Sale of land receipts reserved.....	-	-	247,561	247,561
Aberjona River widening.....	-	-	4,716	4,716
SPED Circuit Breaker.....	-	-	12,856	12,856
School lunch.....	-	-	631,846	631,846
Miscellaneous capital.....	-	-	3,537	3,537
Workers' compensation.....	-	-	200,000	200,000
General government.....	-	-	1,105,187	1,105,187
Skilling Field Remediation.....	-	-	22,023	22,023
Aberjona Flood Mitigation.....	-	-	357,611	357,611
Public safety.....	-	-	669,810	669,810
Education.....	-	-	1,080,792	1,080,792
Public works.....	-	-	1,379,245	1,379,245
Health and human services.....	-	-	370,471	370,471
Culture and recreation.....	-	-	799,564	799,564
Sub-total - Restricted.....	<u>3,039,377</u>	<u>3,769,862</u>	<u>10,125,631</u>	<u>16,934,870</u>
<b>Committed to:</b>				
Subsequent year's expenditures.....	2,414,071	-	-	2,414,071
Building stabilization.....	3,268,647	-	-	3,268,647
Capital stabilization.....	1,564,647	-	-	1,564,647
Continuing appropriations.....	<u>2,118,047</u>	<u>-</u>	<u>-</u>	<u>2,118,047</u>
Sub-total - Committed...	<u>9,365,412</u>	<u>-</u>	<u>-</u>	<u>9,365,412</u>
<b>Assigned to:</b>				
Encumbrances.....	<u>1,392,515</u>	<u>-</u>	<u>-</u>	<u>1,392,515</u>
<b>Unassigned.....</b>	<u>11,820,608</u>	<u>-</u>	<u>(54,817)</u>	<u>11,765,791</u>
<b>Total.....</b>	<u>\$ 25,617,912</u>	<u>\$ 3,769,862</u>	<u>\$ 12,622,509</u>	<u>\$ 42,010,283</u>

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 13 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:

- General Stabilization Fund (general and/or capital purposes)
- Building Stabilization Fund (approved by Proposition 2<sup>1/2</sup> override)
- Capital Stabilization Fund (approved by Proposition 2<sup>1/2</sup> override)

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, Building, and Capital Stabilization Funds at June 30, 2018 total \$4,355,096, \$3,268,647, and \$1,564,647, respectively, and are reported in the general fund as unassigned (\$4,355,096) and committed (\$4,833,294) fund balance.

**NOTE 14 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.

As of the most recent actuarial valuation, the System's membership consisted of the following:

Active members.....	363
Inactive - entitled to or receiving benefits.....	8
Inactive - not entitled to or not receiving benefits.....	154
Retirees and beneficiaries currently receiving benefits.....	273
Total members.....	<u>798</u>
Number of participating employers.....	<u>2</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 Select Board and a fifth member appointed by the Retirement Board's members.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 14 PENSION PLAN (CONTINUED)**

**Benefits Provided** - The System provides retirement, disability and death benefits to plan members and beneficiaries, pursuant to MGL 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 on or 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 on or 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 on or 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 on or 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, 2017, active member contributions totaled \$2,082,000 and employer contributions totaled \$4,515,896. Contributions to the System from the Town were \$4,472,543 for the year ended June 30, 2018.

**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, 2017, were as follows:

Total pension liability.....	\$ 146,846,000
Plan fiduciary net position.....	<u>(123,322,898)</u>
Net pension liability.....	<u>\$ 23,523,102</u>
Plan fiduciary net position as a percentage of the total pension liability.....	83.98%

At June 30, 2018, the Town reported a liability of \$23,297,279 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017 that was updated to December 31, 2017. The Town's proportion of the net pension liability is the proportionate share of employer contributions to the System as of December 31, 2017, actuarially determined. At December 31, 2017, the Town's proportion was 99.04%.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 14 PENSION PLAN (CONTINUED)**

For the year ended June 30, 2018, the Town recognized pension expense of approximately \$5,104,000. At June 30, 2018, the Town reported deferred outflows of resources related to pensions of \$5,964,189 for changes in assumptions. At June 30, 2018, the Town reported deferred inflows of resources related to pensions of \$5,827,513, consisting of net differences between expected and actual experience of \$2,080,830 and the net difference between expected and actual investment income of \$3,746,683.

The net amount reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	Amount
2019.....	\$ 1,679,718
2020.....	1,193,432
2021.....	(1,191,451)
2022.....	(1,545,023)
	\$ 136,676

Actuarial Assumptions

The total pension liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2017:

Actuarial cost method:	Entry age normal
Amortization method:	Increasing payments 7.15% per year
Remaining amortization period:	11 years
Asset valuation method:	Market value
Investment rate of return:	7.0%, 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  
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**NOTE 14 PENSION PLAN (CONTINUED)**

Mortality rates: Pre-Retirement - RP-2000 Employee Mortality Table projected generationally with Scale BB and a base year of 2009 (gender distinct).

Healthy Retiree - RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB and a base year of 2009 (gender distinct).

Disabled Retiree - RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB and a base year of 2012 (gender distinct).

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, 2017, the annual money-weighted rate of return on System investments, net of investment expense, was 15.4%. 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:

Asset Class	Target Allocation	Target Allocation Range	Long-Term Expected Real Rate of Return
Fixed Income.....	35 %	+/- 15%	5.10%
Domestic Equities.....	35	+/- 10%	8.00%
International Equities.....	20	+/- 10%	9.00%
Real Estate.....	5	+/- 5%	6.00%
Alternatives.....	5	+/- 5%	6.20%
Total.....	<u>100 %</u>		

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 14 PENSION PLAN (CONTINUED)**

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. 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 7.0%, 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 (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
System's net pension liability.....	\$ 40,402,000	\$ 23,523,102	\$ 9,252,000

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.0%, 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 (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Town's proportionate share of the net pension liability.....	\$ 40,014,141	\$ 23,297,279	\$ 9,163,181

Legally Required Reserve Accounts – The balance in the System's legally required reserves as of December 31, 2017 are as follows:

Description	Amount	Purpose
Annuity Savings Fund.....	\$ 24,226,832	Active members' contribution balance
Annuity Reserve Fund.....	4,875,900	Retired members' contribution account
Military Service Fund.....	17,185	Military leave of absence contribution balance
Pension Reserve Fund.....	91,329,855	Amounts appropriated to fund future retirement
Pension Fund.....	2,873,126	Remaining net position
Total.....	\$ 123,322,898	

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 15 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's 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. 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.

**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 2.0% 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, 2018. The Commonwealth's net pension liability associated with the Town was \$116,744,096.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 15 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)**

The MTRS' net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017.

For the year ended June 30, 2018, the Town recognized pension expense of \$12,184,921 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, 2017 measurement date was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017. This valuation used the following assumptions:

Investment rate of return – 7.5%

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-2014 White Collar Employees Table projected generationally with Scale MP-2016 (gender distinct). Post-retirement reflects RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct). Disability is assumed to be in accordance with the RP-2014 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2014 set forward 4 years.

Other - 3.5% interest rate credited to the annuity savings fund; 3.0% cost of living increase on the first \$13,000 per year.

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.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 15 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)**

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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity.....	40 %	5.0%
Portfolio Completion Strategies.....	13	3.6%
Core Fixed Income.....	12	1.1%
Private Equity.....	11	6.6%
Value Added Fixed Income.....	10	3.8%
Real Estate.....	10	3.6%
Timber/Natural Resources.....	4	3.2%
Hedge Funds.....	-	3.6%
Totals	<u>100 %</u>	

**Discount rate** - The discount rate used to measure the MTRS' total pension liability was 7.5%. 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 16 COMMITMENTS**

Significant commitments include the encumbrances and continuing appropriations outstanding for the General Fund, which totaled \$3,510,562 at June 30, 2018.

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 17 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, 2018, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2018.

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, 2018, 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.

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**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  
YEAR ENDED JUNE 30, 2018**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
<b>REVENUES</b>				
Real Estate and Personal Property Taxes	\$ -	\$ 88,255,171	\$ 69,491	\$ 88,324,662
Motor Vehicle and Other Excise Taxes	-	3,530,000	70,000	3,600,000
Tax Liens	-	-	-	-
Payments in Lieu of Taxes	-	89,000	-	89,000
Trash Disposal	-	1,375,000	(5,000)	1,370,000
Intergovernmental	-	10,305,149	38,251	10,343,400
Special Assessments	-	-	-	-
Penalties and Interest on Taxes	-	270,000	-	270,000
Licenses and Permits	-	1,850,000	(150,000)	1,700,000
Fines and Forfeitures	-	34,000	(1,000)	33,000
Departmental and Other	-	1,568,102	(41,102)	1,527,000
Investment Income	-	50,000	(30,000)	20,000
Total Revenues	-	107,326,422	(49,360)	107,277,062
<b>EXPENDITURES</b>				
Current:				
General Government	1,176,193	7,902,827	(759,267)	8,319,753
Public Safety	560,562	9,160,106	527,796	10,248,464
Education	910,024	47,197,946	904,518	49,012,488
Public Works	1,509,294	6,990,256	1,187,332	9,686,882
Health and Human Services	751	699,310	14,498	714,559
Culture and Recreation	68,813	1,960,300	35,065	2,064,178
Pension Benefits	-	4,472,543	-	4,472,543
Employee Benefits	-	11,399,884	12,660	11,412,544
Property and Liability Insurance	-	380,000	10,340	390,340
State and County Charges	-	556,178	(30,567)	525,611
Debt Service:				
Principal	-	6,936,206	-	6,936,206
Interest	-	5,409,702	60,000	5,469,702
Total Expenditures	4,225,637	103,065,258	1,962,375	109,253,270
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	(4,225,637)	4,261,164	(2,011,735)	(1,976,208)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	4,867,225	1,462,273	6,329,498
Premium from Issuance of Bonds and Notes	-	-	-	-
Transfers Out	-	(10,385,037)	(437,756)	(10,822,793)
Total Other Financing Sources (Uses)	-	(5,517,812)	1,024,517	(4,493,295)
<b>NET CHANGE IN FUND BALANCE</b>				
	(4,225,637)	(1,256,648)	(987,218)	(6,469,503)
Fund Balance - Beginning of Year	14,415,057	14,415,057	14,415,057	14,415,057
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 10,189,420</b>	<b>\$ 13,158,409</b>	<b>\$ 13,427,839</b>	<b>\$ 7,945,554</b>

See accompanying notes to required supplementary information.

<u>Actual</u>	<u>Current Year Encumbrances and Continuing Appropriations</u>	<u>Actual and Encumbrances and Continuing Appropriations</u>	<u>Variance Positive/ (Negative)</u>
\$ 88,529,666	\$ -	\$ 88,529,666	\$ 205,004
4,037,869	-	4,037,869	437,869
43,048	-	43,048	43,048
50,967	-	50,967	(38,033)
1,479,287	-	1,479,287	109,287
10,437,183	-	10,437,183	93,783
1,595	-	1,595	1,595
306,584	-	306,584	36,584
1,604,580	-	1,604,580	(95,420)
30,251	-	30,251	(2,749)
1,720,474	-	1,720,474	193,474
245,254	-	245,254	225,254
<u>108,486,758</u>	<u>-</u>	<u>108,486,758</u>	<u>1,209,696</u>
6,722,470	1,509,658	8,232,128	87,625
9,886,778	269,770	10,156,548	91,916
48,239,770	716,271	48,956,041	56,447
8,596,609	976,701	9,573,310	113,572
659,946	7,333	667,279	47,280
1,906,825	30,829	1,937,654	126,524
4,472,543	-	4,472,543	-
11,250,407	-	11,250,407	162,137
390,340	-	390,340	-
552,349	-	552,349	(26,738)
6,936,206	-	6,936,206	-
<u>5,465,005</u>	<u>-</u>	<u>5,465,005</u>	<u>4,697</u>
<u>105,079,248</u>	<u>3,510,562</u>	<u>108,589,810</u>	<u>663,460</u>
3,407,510	(3,510,562)	(103,052)	1,873,156
6,329,498	-	6,329,498	-
90,067	-	90,067	90,067
<u>(10,822,793)</u>	<u>-</u>	<u>(10,822,793)</u>	<u>-</u>
<u>(4,403,228)</u>	<u>-</u>	<u>(4,403,228)</u>	<u>90,067</u>
(995,718)	(3,510,562)	(4,506,280)	1,963,223
<u>14,415,057</u>	<u>-</u>	<u>14,415,057</u>	<u>-</u>
<u>\$ 13,419,339</u>	<u>\$ (3,510,562)</u>	<u>\$ 9,908,777</u>	<u>\$ 1,963,223</u>

**TOWN OF WINCHESTER, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2018**

**SCHEDULE OTHER POST-EMPLOYMENT BENEFITS**

**SCHEDULE OF CHANGES IN THE TOWN'S TOTAL OPEB LIABILITY AND  
RELATED RATIOS (PLAN)\***

	2018
<b>Total OPEB Liability</b>	
Service Cost	\$ 3,384,223
Interest	3,184,347
Benefit Payments	(2,566,904)
Net Change in Total OPEB Liability	4,001,666
Total OPEB Liability - Beginning of Period	82,803,343
Total OPEB Liability - End of Period	\$ 86,805,009
 Covered Payroll	\$ 61,331,430
 Total OPEB Liability as a Percentage of Covered Payroll	141.53%

\* Data is being accumulated annually to present 10 years of the reported information.

**TOWN OF WINCHESTER, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2018**

**PENSION PLAN SCHEDULES**

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

	December 31			
	2017	2016	2015	2014
<u>Total pension liability</u>				
Service cost	\$ 3,225,000	\$ 2,999,000	\$ 2,870,000	\$ 2,625,000
Interest	9,706,000	9,664,000	8,883,000	9,100,000
Differences between expected and actual experience	(1,166,000)	-	(3,441,000)	-
Changes of assumptions	3,460,000	-	9,600,000	-
Benefit payments, including refunds of member contributions	<u>(7,632,000)</u>	<u>(7,419,000)</u>	<u>(7,101,000)</u>	<u>(6,639,000)</u>
Net change in total pension liability	7,593,000	5,244,000	10,811,000	5,086,000
Total pension liability - beginning	<u>139,253,000</u>	<u>134,009,000</u>	<u>123,198,000</u>	<u>118,112,000</u>
Total pension liability - ending (a)	<u><u>\$ 146,846,000</u></u>	<u><u>\$ 139,253,000</u></u>	<u><u>\$ 134,009,000</u></u>	<u><u>\$ 123,198,000</u></u>
<u>Plan fiduciary net position</u>				
Contributions - employer	\$ 4,515,896	\$ 4,299,134	\$ 4,055,526	\$ 3,906,569
Contributions - member	2,082,000	2,177,000	2,084,000	1,822,431
Net investment income	16,484,000	6,989,000	(548,000)	7,702,031
Benefit payments, including refunds of member contributions	(7,632,000)	(7,419,000)	(7,101,000)	(6,639,000)
Administrative expense	(128,000)	(122,000)	(148,000)	(67,923)
Other	<u>1,356</u>	<u>38,247</u>	<u>371</u>	<u>(248,544)</u>
Net change in plan fiduciary net position	15,323,252	5,962,381	(1,657,103)	6,475,564
Plan fiduciary net position - beginning	<u>107,999,646</u>	<u>102,037,265</u>	<u>103,694,368</u>	<u>97,218,804</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 123,322,898</u></u>	<u><u>\$ 107,999,646</u></u>	<u><u>\$ 102,037,265</u></u>	<u><u>\$ 103,694,368</u></u>
Net pension liability - ending (a) - (b)	<u><u>\$ 23,523,102</u></u>	<u><u>\$ 31,253,354</u></u>	<u><u>\$ 31,971,735</u></u>	<u><u>\$ 19,503,632</u></u>
Plan fiduciary net position as a percentage of the total pension liability	83.98%	77.56%	76.14%	84.17%
Covered-employee payroll	19,744,000	18,547,000	18,547,000	17,971,254
Net pension liability as a percentage of covered-employee payroll	119.14%	168.51%	172.38%	108.53%

**TOWN OF WINCHESTER, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2018**

**PENSION PLAN SCHEDULES**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS (SYSTEM)**

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 4,515,896	\$ 4,299,134	\$ 4,055,526	\$ 3,906,569	\$ 3,845,592
Contributions in relation to the actuarially determined contribution	<u>4,515,896</u>	<u>4,299,134</u>	<u>4,055,526</u>	<u>3,906,569</u>	<u>3,845,592</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 19,744,000	\$ 18,547,000	\$ 18,547,000	\$ 17,971,254	\$ 17,971,254
Contributions as a percentage of covered-employee payroll	22.87%	23.18%	21.87%	21.74%	21.40%

(continued)

	Year Ended December 31,				
	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 3,777,163	\$ 3,623,792	\$ 3,515,362	\$ 3,323,793	\$ 3,227,543
Contributions in relation to the actuarially determined contribution	<u>3,777,163</u>	<u>3,623,792</u>	<u>3,515,362</u>	<u>3,323,793</u>	<u>3,227,543</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 17,195,132	\$ 17,195,132	\$ 16,879,293	\$ 16,879,293	\$ 15,863,491
Contributions as a percentage of covered-employee payroll	21.97%	21.07%	20.83%	19.69%	20.35%

(concluded)

**SCHEDULE OF INVESTMENT RETURNS (SYSTEM)**

	Year Ended December 31,			
	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	15.36%	6.89%	-0.53%	7.98%

**TOWN OF WINCHESTER, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2018**

**PENSION PLAN SCHEDULES**

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

	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>
Town's proportion of the net pension liability	99.04%	99.11%	99.12%	99.14%
Town's proportionate share of the net pension liability	\$ 23,297,279	\$ 30,975,199	\$ 31,690,384	\$ 19,335,901
Town's covered-employee payroll	\$ 19,554,331	\$ 18,383,786	\$ 18,383,786	\$ 17,816,701
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	119.14%	168.49%	172.38%	108.53%
Plan fiduciary net position as a percentage of the total pension liability	83.98%	77.56%	76.14%	84.17%

\*The amounts presented were determined as of December 31 within the applicable fiscal year.

**SCHEDULE OF TOWN'S CONTRIBUTIONS (SYSTEM)**

	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>
Actuarially Required Contribution	\$ 4,472,543	\$ 4,261,038	\$ 4,019,991	\$ 3,889,699
Contributions in Relation to the Actuarially Required Contribution	<u>4,472,543</u>	<u>4,261,038</u>	<u>4,019,991</u>	<u>3,889,699</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered-Employee Payroll	\$ 19,554,331	\$ 18,383,786	\$ 18,383,786	\$ 17,816,701
Contributions as a Percentage of Covered Employee Payroll	22.87%	23.18%	21.87%	21.83%

\*The amounts presented were determined as of December 31 within the applicable fiscal year.

**TOWN OF WINCHESTER, MASSACHUSETTS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2018**

**PENSION PLAN SCHEDULES**

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

	<u>2018**</u>	<u>2017**</u>	<u>2016**</u>	<u>2015**</u>
Town's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
Commonwealth's proportionate share of the net pension liability associated with the Town	<u>116,744,096</u>	<u>113,116,935</u>	<u>101,190,658</u>	<u>78,050,395</u>
Total	<u>\$ 116,744,096</u>	<u>\$ 113,116,935</u>	<u>\$ 101,190,658</u>	<u>\$ 78,050,395</u>
Town's covered-employee payroll	\$ 34,639,875	\$ 33,554,263	\$ 31,305,359	\$ 30,105,390
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	54.25%	52.73%	55.38%	61.64%

\*\*The amounts presented were determined as of June 30 of the previous year.

**SCHEDULE OF TOWN'S CONTRIBUTIONS (MTRS)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 34,639,875	\$ 33,554,263	\$ 31,305,359	\$ 30,105,390
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A

**TOWN OF WINCHESTER, MASSACHUSETTS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2018**

**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, 2018, is presented below:

	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balance
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 108,486,758	\$ 108,589,810	\$ (4,403,228)	\$ 9,908,777
<u>Reclassifications</u>				
Activity of stabilization funds recorded in the general fund for GAAP purposes.....	114,638	-	(65,372)	9,188,390
Activity of OPEB fund recorded in the general fund for GAAP purposes.....	240,931	-	250,000	2,977,517
Reclassification of employee benefits to enterprise funds.....	-	(679,544)	(679,544)	-
<u>Adjustments</u>				
Net change in recording 60-day receipts.....	(84,505)	-	-	292,452
Net change in recording tax refunds payable.....	130,099	-	-	(86,681)
Net change in recording short-term interest accrual.....	-	(51,124)	-	-
Net change in recording workers' compensation payable.....	-	(76,148)	-	(173,105)
To record MTRS on-behalf.....	12,184,921	12,184,921	-	-
To record encumbrances and continuing appropriations.....	-	(3,510,562)	-	3,510,562
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	\$ 121,072,842	\$ 116,457,353	\$ (4,898,144)	\$ 25,617,912

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