

TOWN OF WINCHESTER, MASSACHUSETTS
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020



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**TOWN OF WINCHESTER, MASSACHUSETTS
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YEAR ENDED JUNE 30, 2020**

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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, 2020 (except for the Winchester Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2019), 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.

Auditors' 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 auditors' 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.

Honorable Select Board
Town of Winchester, Massachusetts

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Winchester, Massachusetts, as of June 30, 2020 (except for the Winchester Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2019), 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and general fund budgetary comparison and certain pension and other postemployment benefits information 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 9, 2021 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 9, 2021

**TOWN OF WINCHESTER, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

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, 2020.

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 \$98,057,641 (net position).
- The Town's total net position increased \$5,537,845.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$15,159,277, or 11.2% of total general fund expenditures and transfers out.
- The Town's total net outstanding bonded debt increased by \$7,248,368 during the fiscal year. The Town issued \$24,832,500 of new debt, retired \$19,892,651 of existing debt and had a net increase of \$2,308,519 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 postemployment 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, 2020**

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 Enterprise Fund activities and Recreation Enterprise Fund 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, 2020**

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 information for the Town's Pension and Other Postemployment Benefits (OPEB) Trust Funds. 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 24-66 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 postemployment benefits information, which can be found on pages 67-75.

**TOWN OF WINCHESTER, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

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 \$98,057,641 at the close of the fiscal year and is summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Assets						
Current assets.....	\$ 52,425,218	\$ 39,248,775	\$ 7,577,125	\$ 6,637,930	\$ 60,002,343	\$ 45,886,705
Noncurrent assets excluding capital assets).....	7,294,374	7,425,049	-	-	7,294,374	7,425,049
Capital assets (net).....	310,857,051	309,567,639	23,801,206	20,631,317	334,658,257	330,198,956
Total assets.....	<u>370,576,643</u>	<u>356,241,463</u>	<u>31,378,331</u>	<u>27,269,247</u>	<u>401,954,974</u>	<u>383,510,710</u>
Deferred outflows of resources.....	<u>12,871,821</u>	<u>23,311,656</u>	<u>359,975</u>	<u>681,739</u>	<u>13,231,796</u>	<u>23,993,395</u>
Liabilities						
Current liabilities (excluding debt).....	4,424,944	3,217,915	255,047	267,025	4,679,991	3,484,940
Noncurrent liabilities (excluding debt).....	131,302,735	157,764,010	3,431,867	4,374,942	134,734,602	162,138,952
Current debt.....	12,230,942	11,830,000	1,522,185	992,650	13,753,127	12,822,650
Noncurrent debt.....	131,072,705	128,158,686	9,642,569	5,818,697	140,715,274	133,977,383
Total liabilities.....	<u>279,031,326</u>	<u>300,970,611</u>	<u>14,851,668</u>	<u>11,453,314</u>	<u>293,882,994</u>	<u>312,423,925</u>
Deferred inflows of resources.....	<u>22,554,256</u>	<u>2,461,058</u>	<u>691,879</u>	<u>99,326</u>	<u>23,246,135</u>	<u>2,560,384</u>
Net Position						
Net investment in capital assets.....	176,829,344	174,371,623	16,784,739	15,855,722	193,614,083	190,227,345
Restricted.....	12,883,080	12,232,639	-	-	12,883,080	12,232,639
Unrestricted.....	<u>(107,849,542)</u>	<u>(110,482,812)</u>	<u>(589,980)</u>	<u>542,624</u>	<u>(108,439,522)</u>	<u>(109,940,188)</u>
Total net position.....	<u>\$ 81,862,882</u>	<u>\$ 76,121,450</u>	<u>\$ 16,194,759</u>	<u>\$ 16,398,346</u>	<u>\$ 98,057,641</u>	<u>\$ 92,519,796</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.

The unrestricted net position deficit in the business-type activities of \$589,980 consists of \$590,127 that may be used to meet the Town's on-going obligations to citizens and creditors for the Town's Water & Sewer Enterprise Fund activities, along with a deficit of \$1,180,107 in the Recreation Enterprise Fund. The Town's unrestricted net position deficit in governmental activities is \$107,849,542. Such resources have been consumed with the recognition of net pension and total other postemployment benefits liabilities.

**TOWN OF WINCHESTER, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Changes in Net position

For the fiscal year ended June 30, 2020, the Town's total net position increased \$5,537,845, compared to a decrease of \$25,837,563 in the prior fiscal year. These amounts are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2020	2019	2020	2019	2020	2019
Revenues						
<i>Program Revenues:</i>						
Charges for services.....	\$ 8,949,780	\$ 9,109,636	\$ 7,114,621	\$ 7,880,503	\$ 16,064,401	\$ 16,990,139
Operating grants and contributions.....	29,668,087	25,478,157	64,977	90,535	29,733,064	25,568,692
Capital grants and contributions.....	2,382,827	563,793	652,500	425,000	3,035,327	988,793
<i>General Revenues:</i>						
Real estate and personal property taxes.....	100,961,571	92,051,905	-	-	100,961,571	92,051,905
Motor vehicle and other excise taxes.....	3,836,590	4,173,759	-	-	3,836,590	4,173,759
Penalties and interest on taxes.....	191,532	222,997	-	-	191,532	222,997
Payments in lieu of taxes.....	81,390	34,667	-	-	81,390	34,667
Grants and contributions not restricted to specific programs.....	1,722,682	2,854,630	-	-	1,722,682	2,854,630
Unrestricted investment income.....	520,651	668,407	-	-	520,651	668,407
Total revenues.....	148,315,110	135,157,951	7,832,098	8,396,038	156,147,208	143,553,989
Expenses						
General government.....	10,191,427	11,931,763	-	-	10,191,427	11,931,763
Public safety.....	15,306,553	20,484,231	-	-	15,306,553	20,484,231
Education.....	91,690,097	101,071,621	-	-	91,690,097	101,071,621
Public works.....	11,767,347	14,726,263	-	-	11,767,347	14,726,263
Health and human services.....	2,307,411	2,263,217	-	-	2,307,411	2,263,217
Culture and recreation.....	2,837,659	3,588,260	-	-	2,837,659	3,588,260
Debt service - interest.....	4,708,419	4,085,565	-	-	4,708,419	4,085,565
Water & Sewer.....	-	-	9,912,583	9,441,079	9,912,583	9,441,079
Recreation.....	-	-	1,887,867	1,799,553	1,887,867	1,799,553
Total expenses.....	138,808,913	158,150,920	11,800,450	11,240,632	150,609,363	169,391,552
Change in net assets before transfers.....	9,506,197	(22,992,969)	(3,968,352)	(2,844,594)	5,537,845	(25,837,563)
Transfers, net.....	(3,764,765)	(3,993,696)	3,764,765	3,993,696	-	-
Change in net position.....	5,741,432	(26,986,665)	(203,587)	1,149,102	5,537,845	(25,837,563)
Net position - beginning of year.....	76,121,450	103,108,115	16,398,346	15,249,244	92,519,796	118,357,359
Net position - end of year.....	\$ 81,862,882	\$ 76,121,450	\$ 16,194,759	\$ 16,398,346	\$ 98,057,641	\$ 92,519,796

Governmental activities increased the Town's net position by \$5,741,432. In the prior year, governmental activities decreased the Town's net position by \$26,986,665. The key elements of this change are increases in operating grants and contributions (primarily on-behalf revenues from the Massachusetts Teachers' Retirement System), increases in real estate and personal property taxes (primarily related to a \$10 million override to Proposition 2 ½) and a decrease in the net pension and net OPEB liabilities.

Business-type activities decreased the Town's net position by \$203,587. In the prior year, business-type activities increased the Town's net position by \$1,149,102. The key element of this change is a decrease in Recreation Enterprise Fund revenues caused by the COVID-19 pandemic.

**TOWN OF WINCHESTER, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

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 \$48,965,744, an increase of \$11,403,160 in comparison with the prior year. \$15,049,166 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable - \$2,760,047
- Restricted - \$18,889,226
- Committed - \$8,060,543
- Assigned - \$4,206,762

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 \$15,159,277, while total fund balance was \$27,474,871. 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 11.2% of total General Fund expenditures and transfers out, while total fund balance represents 20.4% of that same amount.

The fund balance of the Town's General Fund increased \$3,761,787 during fiscal year 2020. The Town recognized a positive budget to actual variance (excluding encumbrances and continuing appropriations) totaling approximately \$9,030,000; and used approximately \$1,665,000 of reserves (excluding prior year encumbrances and continuing appropriations) to fund the fiscal year 2020 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) and the McCall Middle School Phase I and Phase II. Fund balance increased \$740,171 during the current fiscal year. The fund recognized \$1,907,556 of intergovernmental revenue, \$5,439,000 of bond proceeds, \$261,000 of premiums from bonds, and \$80,000 of transfers from other funds. Expenditures totaled \$6,947,385.

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 \$590,127. The Water & Sewer Enterprise Fund had an increase in net position for the year of \$284,503. Unrestricted net position of the Recreation Enterprise Fund at the end of the year amounted to a deficit of \$1,180,107. The Recreation Enterprise Fund had a decrease in net position for the year of \$488,090. 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, 2020**

General Fund Budgetary Highlights

The original General Fund budgeted expenditures (including transfers out) totaled \$131,100,610. During the year, supplemental appropriations totaling \$707,082 were authorized.

During the year, revenues and expenditures and encumbrances and continuing appropriations were less than budgetary estimates, resulting in a positive budget to actual variance totaling approximately \$2,467,000. Encumbrances and continuing appropriations total \$6,563,816 at year-end.

Capital Assets and Debt Administration

Capital assets

The Town's capital assets for its governmental and business-type activities at the end of the fiscal year totaled \$334,658,257 (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 capital assets for the current fiscal year was \$4,459,301.

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

- McCall School construction in progress (approximately \$6,095,000)
- Water & Sewer Enterprise Fund infrastructure improvements (approximately \$3,875,000)

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>	
	2020	2019	2020	2019	2020	2019
Land.....	\$ 64,731,516	\$ 64,731,516	\$ -	\$ -	\$ 64,731,516	\$ 64,731,516
Land improvements.....	14,902,266	13,292,584	951,278	1,033,281	15,853,544	14,325,865
Buildings and improvements.....	205,111,756	211,053,269	3,936,038	4,061,636	209,047,794	215,114,905
Machinery and equipment.....	2,629,076	1,839,730	433,889	508,400	3,062,965	2,348,130
Vehicles.....	1,149,718	1,237,156	89,447	108,632	1,239,165	1,345,788
Infrastructure.....	13,162,154	13,446,102	13,250,232	13,654,246	26,412,386	27,100,348
Construction in progress.....	9,170,565	3,967,282	5,140,322	1,265,122	14,310,887	5,232,404
Total capital assets.....	<u>\$ 310,857,051</u>	<u>\$ 309,567,639</u>	<u>\$ 23,801,206</u>	<u>\$ 20,631,317</u>	<u>\$ 334,658,257</u>	<u>\$ 330,198,956</u>

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

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$149,828,401, 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>	
	2020	2019	2020	2019	2020	2019
General obligation bonds.....	\$ 139,163,647	\$ 135,768,686	\$ 8,408,558	\$ 5,160,000	\$ 147,572,205	\$ 140,928,686
MWRA notes.....	-	-	2,256,196	1,651,347	2,256,196	1,651,347
Total bonds and notes.....	<u>\$ 139,163,647</u>	<u>\$ 135,768,686</u>	<u>\$ 10,664,754</u>	<u>\$ 6,811,347</u>	<u>\$ 149,828,401</u>	<u>\$ 142,580,033</u>

The Town's total net outstanding bonded debt increased by \$7,248,368 during the fiscal year. The Town issued \$24,832,500 of new debt, retired \$19,892,651 of existing debt and had a net increase of \$2,308,519 of unamortized bond premiums.

**TOWN OF WINCHESTER, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

The Town's most recent bond ratings from Moody's Investors Services was 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 2021 Operating Budget of approximately \$140,808,000 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 \$350,000, bringing the OPEB Trust Fund balance to approximately \$4,147,000.

The provisions of Proposition 21/2 limit the growth of the Town's major source of revenue, property taxes, to an annual increase of 21/2 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. The Town voters approved a fiscal year 2020 override of \$10,000,000, of which \$8,000,000 was for general operations, \$1,600,000 was dedicated to the Capital Stabilization Fund and \$400,000 was dedicated to the Building Stabilization Fund. In fiscal year 2021, the revenue collected from taxes, including debt exclusions, will amount to approximately \$106,796,000.

Total fiscal year 2020 General Fund budgetary basis revenue and other financing sources (transfers in and premiums from issuance of bonds) was \$129,926,779. Property taxes accounted for 77.13%, Motor Vehicle Excise 2.81% and Intergovernmental 9.09% of total General Fund revenue and other financing sources. In fiscal year 2021, State revenue is expected to be "level-funded" which is a slight increase compared to fiscal year 2020. General Fund State reimbursements related to School construction will be \$672,082 and no longer continue beyond FY21 because the debt service associated with this reimbursement will be paid in full.

Total fiscal year 2020 General Fund budgetary basis expenditures (including encumbrances and continued appropriations) and transfers to other funds amount to \$133,010,649.

The Town continues to have substantial balances in its Stabilization Funds. The balances at June 30, 2020 in these funds are as follows:

- General/Capital Stabilization Fund - \$4,538,710
- Building Stabilization Fund - \$2,960,121
- Capital Stabilization Fund - \$2,175,197

As noted above, the Town voted to pass an override that dedicated additional funds to be transferred to the Building Stabilization Fund (\$400,000) and to the Capital Stabilization Fund (\$1,600,000). These amounts will be increased by 2 ½ % as part of the levy growth each year.

The Town is aware that the on-going COVID-19 pandemic may have an unfavorable budgetary impact on fiscal year 2021 and beyond.

**TOWN OF WINCHESTER, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

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, 2020**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 23,646,012	\$ 1,041,091	\$ 24,687,103
Restricted Cash and Cash Equivalents	16,096,851	4,148,287	20,245,138
Investments	5,298,438	-	5,298,438
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate and Personal Property Taxes	1,431,410	-	1,431,410
Tax and Utility Liens	770,672	25,193	795,865
Motor Vehicle and Other Excise Taxes	440,858	-	440,858
User Charges	-	2,362,554	2,362,554
Department and Other	436,841	-	436,841
Intergovernmental	4,304,136	-	4,304,136
Total Current Assets	52,425,218	7,577,125	60,002,343
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	401,035	-	401,035
Restricted Investments	6,184,586	-	6,184,586
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate Tax Deferrals	695,150	-	695,150
Tax Foreclosures	13,603	-	13,603
Capital Assets not being Depreciated	73,902,081	5,140,322	79,042,403
Capital Assets, Net of Accumulated Depreciation	236,954,970	18,660,884	255,615,854
Total Noncurrent Assets	318,151,425	23,801,206	341,952,631
Total Assets	370,576,643	31,378,331	401,954,974
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	1,977,138	101,652	2,078,790
Related to OPEB	10,894,683	258,323	11,153,006
Total Deferred Outflows of Resources	12,871,821	359,975	13,231,796
LIABILITIES			
Current Liabilities:			
Warrants Payable	1,602,145	34,046	1,636,191
Accrued Payroll	884,067	65,383	949,450
Tax Refunds Payable	28,375	-	28,375
Other Liabilities	31,767	-	31,767
Accrued Interest	1,612,339	148,691	1,761,030
Workers' Compensation Claims	80,546	-	80,546
Compensated Absences	185,705	6,927	192,632
Short-Term Notes Payable	4,140,000	500,000	4,640,000
Long-Term Bonds and Notes Payable	8,090,942	1,022,185	9,113,127
Total Current Liabilities	16,655,886	1,777,232	18,433,118
Noncurrent Liabilities:			
Workers' Compensation Claims	26,849	-	26,849
Compensated Absences	1,671,349	62,343	1,733,692
Net Pension Liability	23,217,413	846,986	24,064,399
Net OPEB Liability	106,387,124	2,522,538	108,909,662
Long-Term Bonds and Notes Payable	131,072,705	9,642,569	140,715,274
Total Noncurrent Liabilities	262,375,440	13,074,436	275,449,876
Total Liabilities	279,031,326	14,851,668	293,882,994
DEFERRED INFLOWS OF RESOURCES			
Taxes Received in Advance	3,188	-	3,188
Related to Pensions	5,673,442	291,695	5,965,137
Related to OPEB	16,877,626	400,184	17,277,810
Total Deferred Inflows of Resources	22,554,256	691,879	23,246,135
NET POSITION			
Net Investment in Capital Assets	176,829,344	16,784,739	193,614,083
Restricted for:			
Debt Service	48,289	-	48,289
Permanent Funds:			
Expendable	4,532,999	-	4,532,999
Nonexpendable	2,760,047	-	2,760,047
Other Specific Purposes	5,541,745	-	5,541,745
Unrestricted	(107,849,542)	(589,980)	(108,439,522)
Total Net Position	\$ 81,862,882	\$ 16,194,759	\$ 98,057,641

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 10,191,427	\$ 1,195,544	\$ 470,277	\$ -	\$ (8,525,606)
Public Safety	15,306,553	3,497,314	314,969	-	(11,494,270)
Education	91,690,097	2,233,010	27,834,106	1,907,556	(59,715,425)
Public Works	11,767,347	1,829,534	407,022	475,271	(9,055,520)
Health and Human Services	2,307,411	174,816	216,725	-	(1,915,870)
Culture and Recreation	2,837,659	19,562	185,369	-	(2,632,728)
Debt Service-Interest	4,708,419	-	239,619	-	(4,468,800)
Total Governmental Activities	138,808,913	8,949,780	29,668,087	2,382,827	(97,808,219)
Business-Type Activities:					
Water & Sewer	9,912,583	5,785,494	61,843	652,500	(3,412,746)
Recreation	1,887,867	1,329,127	3,134	-	(555,606)
Total Business-Type Activities	11,800,450	7,114,621	64,977	652,500	(3,968,352)
Total Primary Government	\$ 150,609,363	\$ 16,064,401	\$ 29,733,064	\$ 3,035,327	\$ (101,776,571)

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2020**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
CHANGES IN NET POSITION			
Net (Expense) Revenue (From Previous Page)	\$ (97,808,219)	\$ (3,968,352)	\$ (101,776,571)
General Revenues:			
Real Estate and Personal Property Taxes	100,961,571	-	100,961,571
Motor Vehicle and Other Excise Taxes	3,836,590	-	3,836,590
Penalties and Interest on Taxes	191,532	-	191,532
Payments in Lieu of Taxes	81,390	-	81,390
Grants and Contributions not Restricted to Specific Programs	1,722,682	-	1,722,682
Unrestricted Investment Income	520,651	-	520,651
Transfers, Net	(3,764,765)	3,764,765	-
Total General Revenues and Transfers	103,549,651	3,764,765	107,314,416
CHANGE IN NET POSITION	5,741,432	(203,587)	5,537,845
Net Position - Beginning of Year	76,121,450	16,398,346	92,519,796
NET POSITION - END OF YEAR	<u>\$ 81,862,882</u>	<u>\$ 16,194,759</u>	<u>\$ 98,057,641</u>

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2020**

ASSETS	<u>General</u>	<u>School Construction</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 23,646,012	\$ -	\$ -	\$ 23,646,012
Investments	5,298,438	-	-	5,298,438
Receivables, Net of Allowance for Uncollectible Amounts:				
Real Estate and Personal Property Taxes	1,431,410	-	-	1,431,410
Real Estate Tax Deferrals	695,150	-	-	695,150
Tax Liens	770,672	-	-	770,672
Motor Vehicle and Other Excise Taxes	440,858	-	-	440,858
Departmental and Other	292,745	-	144,096	436,841
Intergovernmental	432,463	3,095,436	776,237	4,304,136
Tax Foreclosures	13,603	-	-	13,603
Restricted Assets:				
Cash and Cash Equivalents	-	3,652,886	12,845,000	16,497,886
Investments	-	-	6,184,586	6,184,586
Total Assets	<u>\$ 33,021,351</u>	<u>\$ 6,748,322</u>	<u>\$ 19,949,919</u>	<u>\$ 59,719,592</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Warrants Payable	\$ 749,722	\$ 382,898	\$ 469,525	\$ 1,602,145
Accrued Payroll	844,985	-	39,082	884,067
Tax Refunds Payable	28,375	-	-	28,375
Other Liabilities	-	-	31,767	31,767
Workers' Compensation Claims	107,395	-	-	107,395
Short-Term Notes Payable	-	4,140,000	-	4,140,000
Total Liabilities	<u>1,730,477</u>	<u>4,522,898</u>	<u>540,374</u>	<u>6,793,749</u>
 DEFERRED INFLOWS OF RESOURCES				
Taxes Received in Advance	3,188	-	-	3,188
Unavailable Revenue	3,812,815	-	144,096	3,956,911
Total Deferred Inflows of Resources	<u>3,816,003</u>	<u>-</u>	<u>144,096</u>	<u>3,960,099</u>
 FUND BALANCES				
Nonspendable	-	-	2,760,047	2,760,047
Restricted	48,289	2,225,424	16,615,513	18,889,226
Committed	8,060,543	-	-	8,060,543
Assigned	4,206,762	-	-	4,206,762
Unassigned	15,159,277	-	(110,111)	15,049,166
Total Fund Balances	<u>27,474,871</u>	<u>2,225,424</u>	<u>19,265,449</u>	<u>48,965,744</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 33,021,351</u>	<u>\$ 6,748,322</u>	<u>\$ 19,949,919</u>	<u>\$ 59,719,592</u>

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
JUNE 30, 2020**

Total Governmental Fund Balances	\$ 48,965,744
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	310,857,051
Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds	3,956,911
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	(1,612,339)
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	(139,163,647)
Compensated Absences	(1,857,054)
Net Pension Liability	(23,217,413)
Net OPEB Liability	(106,387,124)
In the statement of net position, deferred outflows of resources are reported for amounts related to pensions and OPEB	12,871,821
In the statement of net position, deferred inflows of resources are reported for amounts related to pensions and OPEB	<u>(22,551,068)</u>
Net Position of Governmental Activities	<u><u>\$ 81,862,882</u></u>

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	General	School Construction	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Real Estate and Personal Property Taxes	\$ 100,243,867	\$ -	\$ -	\$ 100,243,867
Motor Vehicle and Other Excise Taxes	3,646,539	-	-	3,646,539
Tax Liens	20,788	-	-	20,788
Payments in Lieu of Taxes	81,390	-	-	81,390
Charges for Services	-	-	2,224,356	2,224,356
Trash Disposal	1,532,817	-	-	1,532,817
Intergovernmental	27,762,553	1,907,556	3,488,847	33,158,956
Penalties and Interest on Taxes	191,532	-	-	191,532
Licenses and Permits	1,556,169	-	213,569	1,769,738
Fines and Forfeitures	23,532	-	-	23,532
Departmental and Other	1,575,972	-	1,881,509	3,457,481
Contributions	-	-	773,617	773,617
Investment Income	516,600	-	213,001	729,601
Total Revenues	137,151,759	1,907,556	8,794,899	147,854,214
EXPENDITURES				
Current:				
General Government	7,024,393	-	1,008,851	8,033,244
Public Safety	10,169,412	-	1,464,729	11,634,141
Education	69,313,863	6,947,385	4,279,616	80,540,864
Public Works	8,374,655	-	720,665	9,095,320
Health and Human Services	1,143,567	-	308,696	1,452,263
Culture and Recreation	2,417,587	-	161,320	2,578,907
Pension Benefits	4,882,095	-	-	4,882,095
Employee Benefits	12,115,666	-	-	12,115,666
Property and Liability Insurance	366,745	-	-	366,745
State and County Charges	590,892	-	-	590,892
Debt Service:				
Principal	7,610,000	-	-	7,610,000
Interest	5,037,079	-	-	5,037,079
Total Expenditures	129,045,954	6,947,385	7,943,877	143,937,216
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,105,805	(5,039,829)	851,022	3,916,998
OTHER FINANCING SOURCES (USES)				
Proceeds of Bonds and Notes	-	5,439,000	5,043,250	10,482,250
Premium from Issuance of Bonds and Notes	-	261,000	507,677	768,677
Proceeds of Refunding Bonds	-	-	8,314,850	8,314,850
Premium from Issuance of Refunding Bonds	-	-	1,225,150	1,225,150
Transfers In	1,546,913	80,000	1,020,640	2,647,553
Transfer Out	(5,890,931)	-	(521,387)	(6,412,318)
Debt Service - Principal - Current Refunding	-	-	(9,540,000)	(9,540,000)
Total Other Financing Sources (Uses)	(4,344,018)	5,780,000	6,050,180	7,486,162
NET CHANGE IN FUND BALANCES	3,761,787	740,171	6,901,202	11,403,160
Fund Balances - Beginning of Year	23,713,084	1,485,253	12,364,247	37,562,584
FUND BALANCES - END OF YEAR	\$ 27,474,871	\$ 2,225,424	\$ 19,265,449	\$ 48,965,744

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, 2020**

Net Change in Fund Balances - Total Governmental Funds \$ 11,403,160

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

Capital Outlays	9,477,880
Depreciation	(8,186,672)

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

(1,796)

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.

460,899

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any impact on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts represent the related activity of the current period.

Proceeds of Bonds	(10,482,250)
Proceeds of Refunding Bonds	(8,314,850)
Bond Maturities	17,150,000
Net Amortization of Bond Premiums	(1,747,861)

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

82,693

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

These amounts represent the net changes:

Compensated Absences	(272,277)
Net Pension Liability	10,664,704
Net OPEB Liability	16,037,647

In the statement of activities, deferred outflows related to pensions and OPEB are amortized and recognized as pension and OPEB expense. This amount represents the net change in deferred outflows related to pensions and OPEB.

(10,439,835)

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

(20,090,010)

Changes in Net Position of Governmental Activities \$ 5,741,432

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF FUND NET POSITION
 JUNE 30, 2020**

	Business-Type Activities - Enterprise Funds		
	Water & Sewer	Recreation	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 813,781	\$ 227,310	\$ 1,041,091
Restricted Cash and Cash Equivalents	4,148,287	-	4,148,287
Receivables, Net of Allowance for Uncollectible Amounts:			
User Charges	2,362,554	-	2,362,554
Utility Liens	25,193	-	25,193
Total Current Assets	7,349,815	227,310	7,577,125
Noncurrent Assets:			
Capital Assets not being Depreciated	5,140,322	-	5,140,322
Capital Assets, Net of Accumulated Depreciation	18,619,598	41,286	18,660,884
Total Noncurrent Assets	23,759,920	41,286	23,801,206
Total Assets	31,109,735	268,596	31,378,331
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	67,976	33,676	101,652
Related to OPEB	160,314	98,009	258,323
Total Deferred Outflows of Resources	228,290	131,685	359,975
LIABILITIES			
Current Liabilities:			
Warrants Payable	28,523	5,523	34,046
Accrued Payroll	38,916	26,467	65,383
Accrued Interest	148,691	-	148,691
Compensated Absences	6,927	-	6,927
Short-Term Notes Payable	500,000	-	500,000
Long-Term Bonds and Notes Payable	1,022,185	-	1,022,185
Total Current Liabilities	1,745,242	31,990	1,777,232
Noncurrent Liabilities:			
Compensated Absences	62,343	-	62,343
Net Pension Liability	545,407	301,579	846,986
Net OPEB Liability	1,565,472	957,066	2,522,538
Long-Term Bonds and Notes Payable	9,642,569	-	9,642,569
Total Noncurrent Liabilities	11,815,791	1,258,645	13,074,436
Total Liabilities	13,561,033	1,290,635	14,851,668
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	195,060	96,635	291,695
Related to OPEB	248,352	151,832	400,184
Total Deferred Inflows of Resources	443,412	248,467	691,879
FUND NET POSITION			
Net Investment in Capital Assets	16,743,453	41,286	16,784,739
Unrestricted	590,127	(1,180,107)	(589,980)
Total Net Position	\$ 17,333,580	\$ (1,138,821)	\$ 16,194,759

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 YEAR ENDED JUNE 30, 2020**

	Business-Type Activities - Enterprise Funds		
	Water & Sewer	Recreation	Total
OPERATING REVENUES			
Charges for Services	\$ 5,761,695	\$ 1,329,127	\$ 7,090,822
Penalties and Interest	23,799	-	23,799
Total Operating Revenues	5,785,494	1,329,127	7,114,621
OPERATING EXPENSES			
Cost of Service and Administration	2,736,544	1,885,018	4,621,562
MWRA Assessment	6,182,961	-	6,182,961
Depreciation	728,849	2,848	731,697
Total Operating Expenses	9,648,354	1,887,866	11,536,220
OPERATING LOSS	(3,862,860)	(558,739)	(4,421,599)
NONOPERATING REVENUES (EXPENSES)			
Investment Income	61,843	3,134	64,977
Interest Expense	(264,230)	-	(264,230)
Total Nonoperating Revenues (Expenses), Net	(202,387)	3,134	(199,253)
LOSS BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(4,065,247)	(555,605)	(4,620,852)
Capital Contributions	652,500	-	652,500
Transfers In	4,615,291	175,000	4,790,291
Transfers Out	(918,041)	(107,485)	(1,025,526)
Total Capital Contributions and Transfers	4,349,750	67,515	4,417,265
CHANGE IN FUND NET POSITION	284,503	(488,090)	(203,587)
Fund Net Position - Beginning of Year	17,049,077	(650,731)	16,398,346
FUND NET POSITION - END OF YEAR	<u>\$ 17,333,580</u>	<u>\$ (1,138,821)</u>	<u>\$ 16,194,759</u>

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020**

	Business-Type Activities - Enterprise Funds		
	Water & Sewer	Recreation	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 5,400,385	\$ 1,329,127	\$ 6,729,512
Payments to Vendors	(7,778,263)	(772,488)	(8,550,751)
Payments to Employees	(1,275,583)	(1,121,463)	(2,397,046)
Net Cash Used by Operating Activities	(3,653,461)	(564,824)	(4,218,285)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers In	4,615,291	175,000	4,790,291
Transfers Out	(918,041)	(107,485)	(1,025,526)
Net Cash Provided by Noncapital Financing Activities	3,697,250	67,515	3,764,765
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from the Issuance of Bonds and Notes	5,028,700	-	5,028,700
Proceeds from the Issuance of Refunding Bonds	1,506,700	-	1,506,700
Premium from the Issuance of Bonds and Notes	328,800	-	328,800
Premium from Issuance of Refunding Bonds	243,300	-	243,300
Capital Contributions (MWRA Grant)	652,500	-	652,500
Acquisition and Construction of Capital Assets	(3,875,200)	(26,386)	(3,901,586)
Principal Payments on Bonds and Notes	(992,651)	-	(992,651)
Principal Payments on Refunded Bonds	(1,750,000)	-	(1,750,000)
Interest Paid	(173,134)	-	(173,134)
Net Cash Provided (Used) by Capital and Related Financing Acti	969,015	(26,386)	942,629
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income	61,843	3,134	64,977
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,074,647	(520,561)	554,086
Cash and Cash Equivalents at Beginning of Year (includes \$2,035,752 reported as restricted in Water & Sewer)	3,887,421	747,871	4,635,292
CASH AND CASH EQUIVALENTS AT END OF YEAR (includes \$4,148,287 reported as restricted in Water & Sewer)	\$ 4,962,068	\$ 227,310	\$ 5,189,378
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES			
Operating Loss	\$ (3,862,860)	\$ (558,739)	\$ (4,421,599)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:			
Changes in Assets and Liabilities not Requiring Current Cash Flows:			
Depreciation	728,849	2,848	731,697
Net Pension Liability	(366,666)	(181,651)	(548,317)
Deferred Outflows Related to Pension	162,969	106,223	269,192
Deferred Inflows Related to Pension	130,528	63,049	193,577
Net OPEB Liability	(261,338)	(149,587)	(410,925)
Deferred Outflows Related to OPEB	33,295	19,277	52,572
Deferred Inflows Related to OPEB	247,600	151,376	398,976
Effect of Changes in Operating Assets and Liabilities:			
Utility Liens	(10,233)	-	(10,233)
User Charges	(374,876)	-	(374,876)
Warrants Payable	(106,142)	1,142	(105,000)
Accrued Payroll	7,450	(18,762)	(11,312)
Compensated Absences	17,963	-	17,963
Total Adjustments	209,399	(6,085)	203,314
Net Cash Used by Operating Activities	\$ (3,653,461)	\$ (564,824)	\$ (4,218,285)

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2020**

	Pension and Other Postemployment Benefit Trust Funds	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ 428,798	\$ 20,308	\$ 1,183,465
Investments:			
Equities	2,442,356	-	-
U.S. Treasury and Agencies	-	21,247	-
Fixed Income Mutual Funds	1,162,001	760,640	-
External Investment Pool	134,674,810	-	-
Receivables, Net of Allowance for Uncollectible Amounts:			
Departmental and Other	89,083	-	-
Total Assets	138,797,048	802,195	\$ 1,183,465
LIABILITIES			
Warrants Payable	20,190	1,199	514
Other Liabilities	-	-	1,088,462
Liabilities Due Depositors	-	-	94,489
Total Liabilities	20,190	1,199	\$ 1,183,465
NET POSITION			
Net Position Restricted for Pension, OPEB and Other	\$ 138,776,858	\$ 800,996	

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2020**

	Pension and Other Postemployment Benefit Trust Funds	Private Purpose Trust Funds
ADDITIONS		
Contributions:		
Employer	\$ 9,765,327	\$ -
Plan Members	1,541,000	-
Total Contributions	11,306,327	-
Net Investment Income:		
Net Appreciation/(Depreciation) in Fair Value of Investments	16,148,133	5,134
Interest	3,490,058	17,501
Total Investment Income	19,638,191	22,635
Less: Investment Expense	(657,304)	-
Net Investment Income	18,980,887	22,635
Other	1,383,793	-
Total Additions	31,671,007	22,635
DEDUCTIONS		
Administration	173,000	-
Benefits and Refunds	13,000,571	-
Transfers to Other Systems	1,376,563	-
Scholarships Awarded	-	34,093
Total Deductions	14,550,134	34,093
CHANGE IN NET POSITION	17,120,873	(11,458)
Net Position - Beginning of Year	121,655,985	812,454
NET POSITION - END OF YEAR	\$ 138,776,858	\$ 800,996

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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) and the Other Postemployment Benefits (OPEB) Trust Fund as component units (blended) in the reporting entity because of the significance of their operational and financial relationships with the Town.

Blended Component Units

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 in the Pension and Other Postemployment Benefits Trust Funds in the fiduciary fund financial statements.

The OPEB Trust Fund was established to accumulate resources to provide postemployment benefits other than pensions to retirees and their beneficiaries. Chapter 32B of the Massachusetts General Laws (MGL) assigns authority to establish and amend benefit provisions of the OPEB Trust Fund. Benefit provisions are negotiated between the Town and the unions representing Town employees and are renegotiated each bargaining period. The OPEB Trust Fund is presented using the accrual basis of accounting and is reported in the Pension and Other Postemployment Benefits Trust Funds in the fiduciary fund financial statements.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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 2020 assessment totaled approximately \$117,000. 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, 2020, the Town implemented the following pronouncement issued by the GASB:

- GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*

The implementation of this GASB statement postponed the implementation dates of certain GASB statements and 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.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

- 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.

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.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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 funds are reported:

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

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

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The following fiduciary fund types are reported:

The *Pension and Other Postemployment Benefits Trust Funds* are used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries. The funds are also used to accumulate resources to provide funding for future OPEB liabilities.

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

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

F. Deposits and Investments

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

Investments are carried at fair value. Fair value is based on quotations from a national securities exchange except for pooled funds, for which fair value is based on unit value reported by the funds.

G. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate Taxes, Personal Property Taxes, and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. The tax year is from July 1 to June 30. Tax bills are sent on July 1st, October 1st, January 1st and April 1st and due on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accounts Receivable (Continued)

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 & Sewer Enterprise Fund)

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, police details and parking tickets 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, 2020**

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, 2020**

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, 2020**

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 and OPEB are reported in the government-wide and proprietary funds statements of net position. They represent deferred outflows of resources as defined and identified in GASB Statements No. 68 and 75, respectively.

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:

- *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 and OPEB* are reported in the government-wide statement of net position. They represent deferred inflows of resources as defined and identified in GASB Statements No. 68 and 75, respectively.
- *Taxes received in advance* are reported in the government-wide statement of net position. They represent tax collections for the subsequent fiscal year levy.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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:

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, 2020**

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 an Operating Reserve 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, 2020**

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 Postemployment 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 retirees, spouses and beneficiaries.

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, 2020**

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

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 2020 approved budget for the General Fund authorized \$131,100,610 in appropriations. During fiscal year 2020, supplemental appropriations totaling \$707,082 were authorized.

The Comptroller's Office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system and other monthly review and reporting procedures.

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, 2020**

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, Pension Trust Fund and OPEB 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, 2020, \$30,415,838 of the Town's bank balance of \$33,099,572 was uninsured and uncollateralized.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Town (Excluding the Pension Trust Fund) (Continued)

Investments Summary

The Town's investments at June 30, 2020 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type*	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
<u>Debt Securities:</u>					
U.S. Treasuries.....	\$ 3,077,744	\$ 2,165,054	\$ 843,479	\$ 69,211	\$ -
U.S. Agencies.....	556,487	100,900	455,587	-	-
Corporate bonds.....	1,093,118	463,612	518,442	111,064	-
Municipal bonds.....	60,920	-	20,279	20,375	20,266
Money market mutual funds.....	1,885,288	1,885,288	-	-	-
Fixed income securities.....	4,093,996	2,947,293	542,132	604,571	-
External investment pools.....	14,057,948	14,057,948	-	-	-
Total debt securities.....	<u>24,825,501</u>	<u>21,620,095</u>	<u>2,379,919</u>	<u>805,221</u>	<u>20,266</u>
<u>Other Investments:</u>					
Equity mutual funds.....	<u>6,987,003</u>				
Total investments.....	<u>\$ 31,812,504</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, 2020, the Town was not exposed to custodial credit risk.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2020, the credit quality ratings of the Town's investments in debt securities are as follows:

Investment Type	Fair Value	Quality Ratings (1)			
		AAA	AA	A+	Unrated
U.S. Treasuries.....	\$ 3,077,744	\$ 3,077,744	\$ -	\$ -	\$ -
U.S. Agencies.....	556,487	556,487	-	-	-
Corporate bonds.....	1,093,118	-	-	1,093,118	-
Municipal bonds.....	60,920	23,375	37,545	-	-
Money market mutual funds....	1,885,288	-	-	-	1,885,288
Fixed income securities.....	4,093,996	-	-	-	4,093,996
External investment pools.....	14,057,948	-	-	-	14,057,948
Total.....	<u>\$24,825,501</u>	<u>\$ 3,657,606</u>	<u>\$ 37,545</u>	<u>\$ 1,093,118</u>	<u>\$ 20,037,232</u>

(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, 2020**

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.....	\$ 3,077,744	\$ 3,077,744	\$ -	\$ -
U.S. Agencies.....	556,487	556,487	-	-
Corporate bonds.....	1,093,118	1,093,118	-	-
Municipal Bonds.....	60,920	60,920	-	-
Fixed Income Securities.....	4,093,996	4,093,996	-	-
Total Debt Securities.....	8,882,265	8,882,265	-	-
<u>Equity Securities:</u>				
Equity mutual funds.....	6,987,003	6,987,003	-	-
Total Investments by Fair Value Level	<u>\$ 15,869,268</u>	<u>\$ 15,869,268</u>	<u>\$ -</u>	<u>\$ -</u>

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.

All of the System's investments are 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. A nine-member Board acts as Trustee and is responsible for the control and management of the fund. The Treasurer and Receiver-General of the Commonwealth is a member ex-officio and serves as the Chair. 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, 2019, the System was not exposed to custodial credit risk.

Investment Summary

The System's investments at December 31, 2019 in the amount of \$134,674,810 consisted entirely of PRIT with investment maturities of less than one year.

Investments – Interest Rate Risk of Debt Securities

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

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

The System (Continued)

Investments - Custodial Credit Risk

At December 31, 2019, the System's investment in PRIT is not subject to custodial credit risk because it is not evidenced by securities that exist in physical or book-entry form.

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 System does not have a policy for credit risk of debt securities. As of December 31, 2019, the System's investment in PRIT was unrated by a credit quality rating system.

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.

As of December 31, 2019, the fair value of the System's investment in PRIT is measured at the net asset value (NAV) of \$134,674,810. There are no unfunded commitments, redemption frequency is monthly and the redemption notice period is 24 hours.

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 (PRIM) Board. The PRIM Board was created by legislation to provide supervision of the investments and management of PRIT. The fair value of the PRIT fund is based on unit value (NAV) as reported by management of the PRIT fund.

NOTE 4 ACCOUNTS RECEIVABLE

At June 30, 2020, 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.....	\$ 1,431,410	\$ -	\$ 1,431,410
Real estate tax deferrals.....	695,150	-	695,150
Tax liens.....	770,672	-	770,672
Motor vehicle and other excise taxes.....	669,858	(229,000)	440,858
Departmental and other.....	722,438	(196,514)	525,924
Intergovernmental.....	4,304,136	-	4,304,136
Total.....	<u>\$ 8,593,664</u>	<u>\$ (425,514)</u>	<u>\$ 8,168,150</u>

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 ACCOUNTS RECEIVABLE (CONTINUED)

At June 30, 2020, receivables for the Water & Sewer Enterprise Fund consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
User charges.....	\$ 2,362,554	\$ -	\$ 2,362,554
Utility liens.....	25,193	-	25,193
	<u>\$ 2,387,747</u>	<u>\$ -</u>	<u>\$ 2,387,747</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 2020, \$672,082 of such assistance was received and is reported as revenue in the General Fund. \$672,082 is expected to be received in fiscal year 2021 as the final payment in relation to this project. Of this amount, \$239,619 represents reimbursement of long-term interest costs, and \$432,463 represents reimbursement of approved construction costs. Accordingly, a \$432,463 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.

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. As of June 30, 2020, approximately \$129,000,000 has been spent on the project and approximately \$43,000,000 in grants has been received and accrued to date, including approximately \$1,908,000 for the fiscal year ended June 30, 2020. An intergovernmental receivable of \$3,095,436 has been reported on the School Construction balance sheet for costs incurred but not yet reimbursed as of June 30, 2020.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance at 6/30/19	Increases	Decreases	Balance at 6/30/20
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 64,731,516	\$ -	\$ -	\$ 64,731,516
Construction in progress.....	3,967,282	7,819,990	(2,616,707)	9,170,565
Total capital assets not being depreciated.....	68,698,798	7,819,990	(2,616,707)	73,902,081
<u>Capital assets being depreciated:</u>				
Land improvements.....	19,021,841	2,300,035	-	21,321,876
Buildings and improvements.....	258,873,368	236,160	-	259,109,528
Machinery and equipment.....	12,307,086	1,180,329	(1,138,672)	12,348,743
Vehicles.....	5,692,898	184,013	(48,380)	5,828,531
Infrastructure.....	39,494,470	374,060	(150,603)	39,717,927
Total capital assets being depreciated.....	335,389,663	4,274,597	(1,337,655)	338,326,605
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(5,729,257)	(690,353)	-	(6,419,610)
Buildings and improvements.....	(47,820,099)	(6,177,673)	-	(53,997,772)
Machinery and equipment.....	(10,467,356)	(390,983)	1,138,672	(9,719,667)
Vehicles.....	(4,455,742)	(269,655)	46,584	(4,678,813)
Infrastructure.....	(26,048,368)	(658,008)	150,603	(26,555,773)
Total accumulated depreciation.....	(94,520,822)	(8,186,672)	1,335,859	(101,371,635)
Total capital assets being depreciated, net.....	240,868,841	(3,912,075)	(1,796)	236,954,970
Total governmental activities capital assets, net.....	\$ 309,567,639	\$ 3,907,915	\$ (2,618,503)	\$ 310,857,051
Business-Type Activities:				
<u>Water & Sewer:</u>				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 1,265,122	\$ 3,875,200	\$ -	\$ 5,140,322
<u>Capital assets being depreciated:</u>				
Land improvements.....	1,679,786	-	-	1,679,786
Buildings and improvements.....	7,324,527	-	-	7,324,527
Machinery and equipment.....	1,820,500	-	-	1,820,500
Vehicles.....	840,068	-	-	840,068
Infrastructure.....	19,978,797	-	-	19,978,797
Total capital assets being depreciated.....	31,643,678	-	-	31,643,678
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(649,647)	(81,792)	-	(731,439)
Buildings and improvements.....	(3,263,090)	(150,468)	-	(3,413,558)
Machinery and equipment.....	(1,326,507)	(73,390)	-	(1,399,897)
Vehicles.....	(731,436)	(19,185)	-	(750,621)
Infrastructure.....	(6,324,551)	(404,014)	-	(6,728,565)
Total accumulated depreciation.....	(12,295,231)	(728,849)	-	(13,024,080)
Total capital assets being depreciated, net.....	19,348,447	(728,849)	-	18,619,598
Total water & sewer capital assets, net.....	20,613,569	3,146,351	-	23,759,920

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 CAPITAL ASSETS (CONTINUED)

	Balance at 6/30/19	Increases	Decreases	Balance at 6/30/20
Recreation:				
<u>Capital assets being depreciated:</u>				
Land improvements.....	364,965	-	-	364,965
Buildings and improvements.....	10,716	26,386	-	37,102
Machinery and equipment.....	16,840	-	-	16,840
Total capital assets being depreciated.....	392,521	26,386	-	418,907
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(361,823)	(211)	-	(362,034)
Buildings and improvements.....	(10,517)	(1,516)	-	(12,033)
Machinery and equipment.....	(2,433)	(1,121)	-	(3,554)
Total accumulated depreciation.....	(374,773)	(2,848)	-	(377,621)
Total capital assets being depreciated, net.....	17,748	23,538	-	41,286
Total recreation capital assets, net.....	17,748	23,538	-	41,286
Total business-type activities capital assets, net.....	\$ 20,631,317	\$ 3,169,889	\$ -	\$ 23,801,206

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

Governmental Activities:

General government.....	\$ 662,927
Public safety.....	333,024
Education.....	5,583,481
Public works.....	1,150,639
Health and human services.....	6,772
Culture and recreation.....	449,829
Total depreciation expense - governmental activities.....	\$ 8,186,672

Business-Type Activities:

Water & Sewer.....	\$ 728,849
Recreation.....	2,848
Total depreciation expense - business-type activities.....	\$ 731,697

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2020, 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.....	\$ -	\$ 80,000	\$ 1,020,640	\$ 4,615,291	\$ 175,000	\$ 5,890,931 (1)
Nonmajor Governmental Funds..	521,387	-	-	-	-	521,387 (2)
Water & Sewer Enterprise Fund..	918,041	-	-	-	-	918,041 (3)
Recreation Enterprise Fund.....	107,485	-	-	-	-	107,485 (3)
Total	<u>\$ 1,546,913</u>	<u>\$ 80,000</u>	<u>\$ 1,020,640</u>	<u>\$ 4,615,291</u>	<u>\$ 175,000</u>	<u>\$ 7,437,844</u>

- (1) Represents transfers for water/sewer enterprise fund for budgeted subsidy (\$4,615,291), transfer to recreation enterprise fund for budgeted subsidy (\$175,000), a budgeted transfer for the High School Construction fund to pay down a short-term note (\$80,000), a budgeted transfer to the municipal housing trust (\$500,000), a budgeted transfer to the athletic revolving fund (\$515,640), and budgeted transfers to various other special revenue funds (\$5,000).
- (2) Represents budgeted transfers to the general fund from the parking meter special revenue fund (\$274,000), the cemetery perpetual care fund (\$130,000), and the PEG cable access special revenue fund (\$50,000). Also represents benefit costs paid out of the general fund for the SAFER grant program (\$21,671) and the closeout of various special revenue funds to the general fund (\$45,716).
- (3) Represents transfers for indirect costs allocated to Water/Sewer (\$918,041) and Recreation (\$107,485) enterprise funds related to shared employees.

NOTE 7 SHORT-TERM FINANCING

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

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

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

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 SHORT-TERM FINANCING (CONTINUED)

Details related to the short-term debt activity for the fiscal year ended June 30, 2020, is as follows:

Governmental Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at 6/30/2019	Increases	Decreases	Balance at 6/30/2020
BAN	High School Remodel.....	6/27/19	6/26/20	2.00%	\$ 4,220,000	\$ -	\$ (4,220,000)	\$ -
BAN	High School Remodel.....	6/26/20	6/25/21	0.90%	-	4,140,000	-	4,140,000
Total.....					<u>\$ 4,220,000</u>	<u>\$ 4,140,000</u>	<u>\$ (4,220,000)</u>	<u>\$ 4,140,000</u>

Water & Sewer Enterprise Fund

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at 6/30/2019	Increases	Decreases	Balance at 6/30/2020
BAN	Saw Mill Brook Drainage.....	6/26/20	6/25/21	0.90%	\$ -	\$ 500,000	\$ -	\$ 500,000

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, 2020:

	Balance at 6/30/19	Increases	Decreases	Balance at 6/30/20	Current Portion
Governmental Activities:					
Bonds and notes payable.....	\$ 130,400,170	\$ 18,797,100	\$ (17,150,000)	\$ 132,047,270	\$ 7,805,100
Unamortized bond premiums.....	5,368,516	1,993,827	(245,966)	7,116,377	285,842
Total bonds and notes payable....	135,768,686	20,790,927	(17,395,966)	139,163,647	8,090,942
Workers' compensation claims.....	123,291	-	(15,896)	107,395	80,546
Compensated absences.....	1,584,777	272,277	-	1,857,054	185,705
Total.....	<u>\$ 137,476,754</u>	<u>\$ 21,063,204</u>	<u>\$ (17,411,862)</u>	<u>\$ 141,128,096</u>	<u>\$ 8,357,193</u>

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

	Balance at 6/30/19	Increases	Decreases	Balance at 6/30/20	Current Portion
Business-type Activities:					
Bonds and notes payable.....	\$ 6,811,347	\$ 6,035,400	\$ (2,742,651)	\$ 10,104,096	\$ 999,301
Unamortized bond premiums.....	-	572,100	(11,442)	560,658	22,884
Total bonds and notes payable....	6,811,347	6,607,500	(2,754,093)	10,664,754	1,022,185
Compensated absences.....	51,307	17,963	-	69,270	6,927
Total.....	<u>\$ 6,862,654</u>	<u>\$ 6,625,463</u>	<u>\$ (2,754,093)</u>	<u>\$ 10,734,024</u>	<u>\$ 1,029,112</u>

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 9 LONG-TERM DEBT

Details related to the outstanding indebtedness at June 30, 2020, 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 6/30/19	Issued	Redeemed	Outstanding at 6/30/20
07/01/05	07/01/19	\$ 765,490	School building remodeling refunding.....	3.82%	\$ 70,000	\$ -	\$ (70,000)	\$ -
07/01/05	07/01/19	165,260	School engineering refunding.....	3.82%	15,000	-	(15,000)	-
07/01/05	07/01/24	3,143,000	School remodeling.....	3.92%	1,005,000	-	(835,000)	170,000
07/01/05	07/01/24	375,000	Town building remodeling.....	3.91%	115,000	-	(95,000)	20,000
07/01/05	07/01/19	272,000	Equipment and planning.....	3.51%	5,000	-	(5,000)	-
07/01/05	07/01/24	375,000	Drainage - cross street.....	3.90%	115,000	-	(95,000)	20,000
07/01/06	07/01/25	440,000	Building remodeling.....	4.25%	140,000	-	(120,000)	20,000
07/01/06	07/01/25	900,150	School remodeling.....	4.24%	420,000	-	(360,000)	60,000
07/01/06	07/01/24	490,200	Lincoln school.....	4.26%	150,000	-	(125,000)	25,000
07/01/06	07/01/25	1,660,000	Ambrose school..... & plans.....	4.24%	595,000	-	(510,000)	85,000
07/01/06	07/01/25	412,850	Building remodeling & plans.....	4.25%	105,000	-	(90,000)	15,000
07/01/08	07/01/25	2,968,000	School remodeling.....	4.13%	1,215,000	-	(1,040,000)	175,000
07/01/08	07/01/22	1,100,000	School classrooms.....	4.08%	310,000	-	(230,000)	80,000
07/01/08	07/01/27	562,000	McCall middle school design.....	4.18%	260,000	-	(230,000)	30,000
07/01/08	07/01/27	128,000	Building remodeling and plans.....	4.15%	48,000	-	(40,000)	8,000
07/01/08	07/01/28	6,188,000	McCall middle school addition.....	4.21%	3,080,000	-	(2,770,000)	310,000
07/01/08	07/01/28	1,556,000	Public safety building.....	4.21%	743,000	-	(662,000)	81,000
07/01/08	07/01/28	2,100,000	Town hall.....	4.20%	1,039,000	-	(933,000)	106,000
07/01/08	07/01/28	390,000	Transfer station/landfill use restoration.....	4.25%	190,000	-	(170,000)	20,000
05/01/09	05/01/29	1,644,000	Public safety building.....	3.53%	800,000	-	(800,000)	-
05/01/09	05/01/29	1,000,000	DPW complex.....	3.55%	500,000	-	(500,000)	-
05/01/09	05/01/24	1,350,000	Manchester field.....	3.24%	450,000	-	(450,000)	-
05/01/09	05/01/29	960,000	Fire alarms/corridor/ADA.....	3.53%	460,000	-	(460,000)	-
08/15/09	08/15/20	8,667,000	School construction refunding.....	3.23%	1,780,000	-	(895,000)	885,000
04/15/10	04/15/25	1,282,000	Muraco School HVAC.....	3.22%	510,000	-	(510,000)	-
04/15/10	04/15/29	220,000	DPW Repairs.....	3.37%	100,000	-	(100,000)	-
04/28/11	04/15/36	16,000,000	Vinson-Owen School.....	4.05%	10,880,000	-	(640,000)	10,240,000
04/28/11	04/15/31	970,000	Lynch School roof repairs.....	3.65%	570,000	-	(50,000)	520,000
04/28/11	04/15/26	100,000	Muraco School HVAC.....	3.28%	35,000	-	(5,000)	30,000
04/28/11	04/15/31	3,962,000	Flood mitigation.....	3.68%	2,360,000	-	(200,000)	2,160,000
05/16/12	07/01/24	3,832,150	Ambrose School.....	2.00%	2,071,500	-	(375,500)	1,696,000
05/16/12	07/01/24	2,389,000	Lincoln School I.....	2.00%	1,299,000	-	(230,000)	1,069,000
05/16/12	07/01/24	102,500	Lincoln School II (comp).....	2.00%	55,500	-	(10,000)	45,500
05/16/12	07/01/24	490,500	Capital improvements.....	2.00%	173,000	-	(60,000)	113,000
05/16/12	07/01/24	40,350	Sewer & Dam.....	2.00%	15,500	-	(5,500)	10,000
05/16/12	07/01/24	108,500	Sewer.....	2.00%	59,000	-	(10,500)	48,500
05/16/12	07/01/24	148,500	Roads.....	2.00%	46,500	-	(23,500)	23,000
05/16/12	07/01/24	630,000	Flood mitigation - Center Falls Dam.....	2.00%	280,000	-	(50,000)	230,000
07/01/14	07/01/34	1,770,000	Vinson-Owen School.....	3.20%	1,408,000	-	(88,000)	1,320,000
07/01/14	07/01/34	850,000	High School feasibility study.....	3.20%	672,000	-	(42,000)	630,000
07/01/15	07/01/21	30,715	High School feasibility study.....	5.00%	15,170	-	(5,000)	10,170
07/01/15	07/01/44	30,000,000	High School construction.....	5.00%	27,805,000	-	(1,080,000)	26,725,000
07/01/15	07/01/35	230,000	Vinson-Owen School.....	5.00%	185,000	-	(15,000)	170,000
10/15/15	10/15/35	3,420,000	Land Acquisition.....	3.44%	2,895,000	-	(175,000)	2,720,000
07/01/15	07/01/45	29,969,285	High School construction.....	5.00%	27,320,000	-	(1,015,000)	26,305,000
10/27/16	10/15/45	20,000,000	High School construction.....	3.22%	19,475,000	-	(435,000)	19,040,000
06/27/18	06/30/43	3,862,500	Skillings Field Construction & Remediation...	2.00%	3,770,000	-	(90,000)	3,680,000
06/27/18	06/30/32	2,110,800	Skillings Field Design & Construction.....	2.00%	2,000,800	-	(115,000)	1,885,800
06/27/18	06/30/33	300,000	Skillings Field Athletic Lighting.....	2.00%	285,000	-	(15,000)	270,000
06/27/18	06/30/43	317,500	Vinson-Owen School.....	2.00%	310,000	-	(5,000)	305,000
06/27/18	06/30/43	6,024,200	McCall Middle School Phase II.....	2.00%	5,879,200	-	(145,000)	5,734,200
06/27/18	06/15/43	6,470,000	Aberjona River Culvert.....	2.00%	6,315,000	-	(155,000)	6,160,000
08/22/19	08/15/44	5,439,000	McCall Middle School Phase II.....	2.00-5.00%	-	5,439,000	-	5,439,000
06/25/20	01/01/25	608,500	REFUNDING - School remodeling.....	5.00%	-	608,500	-	608,500
06/25/20	01/01/25	68,450	REFUNDING - Town building remodeling.....	5.00%	-	68,450	-	68,450
06/25/20	01/01/25	68,500	REFUNDING - Drainage - Cross street.....	5.00%	-	68,500	-	68,500
06/25/20	01/01/26	89,200	REFUNDING - Building remodeling.....	5.00%	-	89,200	-	89,200
06/25/20	01/01/26	267,200	REFUNDING - School remodeling.....	5.00%	-	267,200	-	267,200
06/25/20	01/01/25	91,000	REFUNDING - Lincoln school.....	5.00%	-	91,000	-	91,000
06/25/20	01/01/26	379,350	REFUNDING - Ambrose school.....	5.00%	-	379,350	-	379,350
06/25/20	01/01/26	64,000	REFUNDING - Building remodeling & plans.....	5.00%	-	64,000	-	64,000
06/25/20	01/01/26	771,400	REFUNDING - School remodeling.....	5.00%	-	771,400	-	771,400
06/25/20	01/01/23	141,650	REFUNDING - School classrooms.....	5.00%	-	141,650	-	141,650
06/25/20	01/01/28	173,550	REFUNDING - McCall middle school design.....	5.00%	-	173,550	-	173,550

(continued)

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Bonds and Notes Payable - Governmental Funds (Continued)

Date of Issue	Maturity Date	Original Issue	Project	Interest Rate	Outstanding at 6/30/19	Issued	Redeemed	Outstanding at 6/30/20	
06/25/20	01/01/28	28,000	REFUNDING - Building remodeling and plans....	5.00%	-	28,000	-	28,000	
06/25/20	01/01/29	2,096,650	REFUNDING - McCall middle school addition.....	5.00%	-	2,096,650	-	2,096,650	
06/25/20	01/01/29	497,850	REFUNDING - Public safety building.....	5.00%	-	497,850	-	497,850	
06/25/20	01/01/29	695,000	REFUNDING - Town hall.....	5.00%	-	695,000	-	695,000	
06/25/20	01/01/29	128,300	REFUNDING - Transfer station/landfill use restor.....	5.00%	-	128,300	-	128,300	
06/25/20	01/01/29	614,625	REFUNDING - Public safety building.....	5.00%	-	614,625	-	614,625	
06/25/20	01/01/29	383,625	REFUNDING - DPW complex.....	5.00%	-	383,625	-	383,625	
06/25/20	01/01/24	335,475	REFUNDING - Manchester field.....	5.00%	-	335,475	-	335,475	
06/25/20	01/01/29	350,150	REFUNDING - Fire alarms/corridor/ADA.....	5.00%	-	350,150	-	350,150	
06/25/20	01/01/25	388,675	REFUNDING - Muraco School HVAC.....	5.00%	-	388,675	-	388,675	
06/25/20	01/01/29	73,700	REFUNDING - DPW Repairs.....	5.00%	-	73,700	-	73,700	
06/25/20	01/01/45	2,551,050	Swanton Street Bridge Improvements I.....	2-5%	-	2,551,050	-	2,551,050	
06/25/20	01/01/45	215,500	Swanton Street Bridge Improvements II.....	2-5%	-	215,500	-	215,500	
06/25/20	01/01/45	1,366,700	Lake Street Bridge Replacement.....	2-5%	-	1,366,700	-	1,366,700	
06/25/20	01/01/45	910,000	Waterfield Road Bridge Rehabilitation.....	2-5%	-	910,000	-	910,000	
Total governmental funds.....						<u>\$ 130,400,170</u>	<u>\$ 18,797,100</u>	<u>\$ (17,150,000)</u>	<u>\$ 132,047,270</u>
Unamortized premiums.....						5,368,516	1,993,827	(245,966)	7,116,377
Total governmental funds, net.....						<u>\$ 135,768,686</u>	<u>\$ 20,790,927</u>	<u>\$ (17,395,966)</u>	<u>\$ 139,163,647</u>

(concluded)

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

Fiscal Year	Principal	Interest	Total
2021.....	\$ 7,805,100	\$ 4,794,148	\$ 12,599,248
2022.....	6,755,170	4,746,516	11,501,686
2023.....	6,772,000	4,455,923	11,227,923
2024.....	6,715,000	4,162,528	10,877,528
2025.....	6,640,000	3,869,620	10,509,620
2026.....	5,860,000	3,582,047	9,442,047
2027.....	5,605,000	3,309,267	8,914,267
2028.....	5,655,000	3,049,104	8,704,104
2029.....	5,665,000	2,807,285	8,472,285
2030.....	5,200,000	2,588,053	7,788,053
2031.....	5,190,000	2,390,024	7,580,024
2032.....	5,070,000	2,198,359	7,268,359
2033.....	4,905,000	2,012,690	6,917,690
2034.....	4,940,000	1,832,224	6,772,224
2035.....	4,985,000	1,650,618	6,635,618
2036.....	4,900,000	1,471,597	6,371,597
2037.....	4,150,000	1,302,783	5,452,783
2038.....	4,205,000	1,167,151	5,372,151
2039.....	4,260,000	1,028,383	5,288,383
2040.....	4,315,000	885,662	5,200,662
2041.....	4,380,000	736,325	5,116,325
2042.....	4,460,000	580,361	5,040,361
2043.....	4,525,000	421,702	4,946,702
2044.....	3,570,000	260,868	3,830,868
2045.....	3,445,000	136,735	3,581,735
2046.....	2,075,000	36,940	2,111,940
Total.....	<u>\$ 132,047,270</u>	<u>\$ 55,476,913</u>	<u>\$ 187,524,183</u>

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Bonds and Notes Payable – Water & Sewer Enterprise Fund

Maturity Date	Original Issue	Project	Interest Rate	Outstanding at 6/30/19	Issued	Redeemed	Outstanding at 6/30/20
07/01/19	\$ 2,515,470	Water mains refunding.....	3.81%	\$ 225,800	\$ -	\$ (225,800)	\$ -
07/01/19	448,780	Water mains II refunding.....	3.81%	39,200	-	(39,200)	-
07/01/26	2,149,000	Drainage.....	4.46%	835,000	-	(730,000)	105,000
04/15/29	750,000	Phase III drainage.....	3.53%	350,000	-	(350,000)	-
04/15/29	1,688,000	Drainage.....	3.43%	900,000	-	(900,000)	-
07/01/24	210,000	Sewer pump stations.....	2.00%	90,000	-	(15,000)	75,000
07/01/24	1,625,000	Drainage refunding.....	2.00%	885,000	-	(160,000)	725,000
07/01/34	308,000	Drainage.....	3.20%	240,000	-	(15,000)	225,000
07/01/34	296,000	Sewer system repairs.....	3.19%	235,000	-	(15,000)	220,000
02/15/25	167,750	Sewer (MWRA)*.....	0.00%	100,650	-	(16,775)	83,875
02/15/25	500,000	Water (MWRA)*.....	0.00%	300,000	-	(50,000)	250,000
07/01/35	1,300,000	South Reservoir Dam Improvements I.....	5.00%	1,105,000	-	(65,000)	1,040,000
07/01/35	310,000	South Reservoir Dam Improvements II.....	5.00%	255,000	-	(15,000)	240,000
08/15/26	21,775	Sewer (MWRA)*.....	0.00%	17,420	-	(2,178)	15,242
02/15/27	600,000	Sewer (MWRA)*.....	0.00%	480,000	-	(60,000)	420,000
08/14/27	161,975	Water (MWRA)*.....	0.00%	145,777	-	(16,198)	129,579
06/15/28	675,000	Water (MWRA)*.....	0.00%	607,500	-	(67,500)	540,000
08/15/39	3,406,000	Drainage/Storm Water Improvements.....	2-5%	-	3,406,000	-	3,406,000
08/31/29	217,500	Sewer (MWRA)*.....	0.00%	-	217,500	-	217,500
01/01/27	548,200	REFUNDING - Drainage.....	5.00%	-	548,200	-	548,200
01/01/29	268,700	REFUNDING - Phase III drainage.....	5.00%	-	268,700	-	268,700
01/01/29	689,800	REFUNDING - Drainage.....	5.00%	-	689,800	-	689,800
01/01/45	305,200	N. Res. Dam, Gate House, LLO Improvements..	2-5%	-	305,200	-	305,200
06/30/30	600,000	Water (MWRA)*.....	0.00%	-	600,000	-	600,000
		Total water & sewer enterprise fund.....		<u>\$ 6,811,347</u>	<u>\$ 6,035,400</u>	<u>\$ (2,742,651)</u>	<u>\$ 10,104,096</u>
		Unamortized premiums.....		-	572,100	(11,442)	560,658
		Total governmental funds, net.....		<u>\$ 6,811,347</u>	<u>\$ 6,607,500</u>	<u>\$ (2,754,093)</u>	<u>\$ 10,664,754</u>

*Notes from direct borrowings

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, 2020, the outstanding principal amount of these loans totaled \$2,256,196.

For direct borrowings, there are no terms specified in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences, and (3) subjective acceleration clauses.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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:

Fiscal Year	Bonded Debt		Notes from Direct Borrowings		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021.....	\$ 704,900	\$ 306,442	\$ 294,401	\$ -	\$ 999,301	\$ 306,442
2022.....	655,000	262,684	294,401	-	949,401	262,684
2023.....	648,000	235,509	294,401	-	942,401	235,509
2024.....	645,000	208,559	294,401	-	939,401	208,559
2025.....	640,000	181,459	294,401	-	934,401	181,459
2026.....	495,000	155,985	227,626	-	722,626	155,985
2027.....	490,000	131,967	227,622	-	717,622	131,967
2028.....	400,000	108,123	165,443	-	565,443	108,123
2029.....	400,000	89,523	81,750	-	481,750	89,523
2030.....	295,000	73,423	81,750	-	376,750	73,423
2031.....	295,000	63,873	-	-	295,000	63,873
2032.....	290,000	54,204	-	-	290,000	54,204
2033.....	290,000	44,648	-	-	290,000	44,648
2034.....	290,000	35,924	-	-	290,000	35,924
2035.....	285,000	28,113	-	-	285,000	28,113
2036.....	260,000	20,884	-	-	260,000	20,884
2037.....	180,000	15,566	-	-	180,000	15,566
2038.....	180,000	11,536	-	-	180,000	11,536
2039.....	180,000	7,501	-	-	180,000	7,501
2040.....	175,000	3,409	-	-	175,000	3,409
2041.....	10,000	1,225	-	-	10,000	1,225
2042.....	10,000	980	-	-	10,000	980
2043.....	10,000	735	-	-	10,000	735
2044.....	10,000	490	-	-	10,000	490
2045.....	10,000	245	-	-	10,000	245
Total....	<u>\$7,847,900</u>	<u>\$2,043,007</u>	<u>\$ 2,256,196</u>	<u>\$ -</u>	<u>\$10,104,096</u>	<u>\$2,043,007</u>

Current Refunding

In June of 2020, the Town issued \$9,821,550 in current refunding bonds to redeem \$11,290,000 of previously issued and outstanding bonds. The net proceeds from the current refunding, including premiums received from the sale, were used to redeem the outstanding bonds and the related accrued interest. As a result of this refunding, the Town will reduce its total gross debt service payments over the remaining life of the bonds by approximately \$1,446,000 and will realize an economic gain of approximately \$1,384,000.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Authorized and Unissued Debt

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2020, the Town had the following authorized and unissued debt:

Purpose	Amount
High School Remodeling.....	\$ 4,150,041
Lynch Elementary School Feasibility Study.....	1,500,000
Sewer Phase II Rehabilitation Part B.....	870,000
Aberjona River Flood Mitigation.....	750,000
Water Line Replacement Program.....	600,000
Saw Mill Brook Drainage & North Reservoir Spillway....	500,000
Sewer System Repairs Design & Engineering.....	12,900
Total.....	\$ 8,382,941

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information

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 Postemployment 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 July 1, 2018, the latest actuarial valuation, is as follows:

Active employees.....	829
Inactive employees or beneficiaries receiving benefits.....	590
Total.....	1,419

Benefits Provided - The contribution requirements of Plan members and the Town are established and may be amended by the Select Board. As of July 1, 2018, the required health insurance contribution rates (including Medicare Part B) of Plan members and the Town vary by health plan and range from 25 - 50% and 50 - 75%, respectively. The Plan members and Town each contribute 50% towards a \$4,000 term life insurance policy.

Contributions - The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis and may contribute additional amounts to pre-fund benefits. The costs of administering the Plan are paid by the Town.

Rate of Return - The annual money-weighted rate of return on OPEB plan investments was 3.00%. The money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amount actually invested.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Significant Actuarial Methods and Assumptions - The Plan's total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement date in accordance with GASB Statement No. 75:

Actuarial Cost Method	Individual Entry Age Normal
Investment Rate of Return	6.30%, net of OPEB plan investment expense, including inflation
Healthcare Cost Trend Rates	4.50%
Pre-Retirement Mortality	General: RP-2014 Mortality Table for Blue Collar Employees projected generationally with scale MP-2016 for males and females, set forward 1 year for females. Teachers: RP-2014 Mortality Table for White Collar Employees projected generationally with scale MP-2016 for males and females.
Post-Retirement Mortality	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year for females. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.
Disabled Mortality	General: RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females, set forward 1 year. Teachers: RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with scale MP-2016 for males and females.

Discount Rate – The discount rate used to measure the Total OPEB liability was 5.25% as of June 30, 2020 and 4.00% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Town's funding policy. Based on these assumptions, the OPEB Plan's Fiduciary Net Position is projected to be insufficient to make all projected benefit payments to current plan members. Therefore, the long-term expected rate of return on the OPEB Plan assets is applied to the projected benefits payments which the Fiduciary Net Position is expected to be sufficient to cover and a Bond Rate is applied thereafter. The Bond Rate is based on the S&P Municipal Bond 20 – Year High Grade Index ("SAPIHG"), which was 2.66% as of June 30, 2020. The S&P Municipal Bond 20 - Year High Grade Index is the index rate for 20 year, tax exempt general obligation municipal bonds with an average rate of AA/Aa or higher.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Investment Policy – The OPEB plan’s assets are managed on a total return basis with a long-term objective. The long-term real rate of return on OPEB investments was determined using the Town’s investment policy.

The long-term expected rate of return on OPEB 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 OPEB 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. Best estimates of arithmetic real rates of return for each major asset class include in the target asset allocation as of June 30, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equities - Large Cap.....	36.00%	4.80%
International Equities - Developed Market.....	15.00%	5.45%
International Equities - Emerging Market.....	7.00%	6.42%
Domestic Fixed Income.....	28.00%	2.05%
International Fixed Income.....	3.00%	3.00%
Alternatives.....	6.00%	6.50%
Cash and Cash Equivalents.....	5.00%	0.00%
Total.....	<u>100.00%</u>	

Plan Reporting

Components of the Net OPEB Liability – The following table represents the components of the Plan’s Net OPEB liability as of the measurement date of June 30, 2020:

Total OPEB liability.....	\$ 112,706,449
Plan fiduciary net position.....	<u>(3,796,787)</u>
Net OPEB liability.....	<u>\$ 108,909,662</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	3.37%

Sensitivity of the net OPEB liability to changes in the discount rate – The following presents the net OPEB liability of the Plan, as well as what the Plan’s net 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 (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Net OPEB Liability.....	\$ 125,877,033	\$ 108,909,662	\$ 95,198,308

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates – The following presents the net OPEB liability of the Plan, as well as what the Plan’s net 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
Net OPEB Liability.....	\$ 93,823,242	\$ 108,909,662	\$ 127,846,524

Employer Reporting

Net OPEB Liabilities – At June 30, 2020, the Town reported a net OPEB liability of \$108,909,662. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018 that was rolled forward to June 30, 2020. The following table represents the components of the Town’s net OPEB liability as of the measurement date of June 30, 2020:

	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2019.....	\$ 128,695,134	\$ 3,336,900	\$ 125,358,234
Changes for the year:			
Service Cost.....	3,172,839	-	3,172,839
Interest.....	5,190,937	-	5,190,937
Changes of assumptions.....	(20,121,890)	-	(20,121,890)
Contributions- employer.....	-	4,580,571	(4,580,571)
Net investment income.....	-	109,887	(109,887)
Benefit payments.....	(4,230,571)	(4,230,571)	-
Net Changes.....	(15,988,685)	459,887	(16,448,572)
Balance at June 30, 2020	\$ 112,706,449	\$ 3,796,787	\$ 108,909,662

The change of assumptions that affected measurement of the total OPEB liability since the prior measurement date was an increase in the discount rate from 4.00% to 5.25%.

The sensitivity of the Town’s net OPEB liabilities to changes in the discount rate and healthcare trend rates is the same as the Plan’s since the Town is the only employer included in the Plan.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the Town recognized OPEB expense of \$7,490,934. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience....	\$ 2,453,179	\$ -	\$ 2,453,179
Changes of assumptions.....	8,610,872	(17,239,098)	(8,628,226)
Differences between projected and actual earnings.....	88,955	(38,712)	50,243
Total	\$ 11,153,006	\$ (17,277,810)	\$ (6,124,804)

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

The amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	Amount
2021.....	\$ (651,761)
2022.....	(651,761)
2023.....	(651,761)
2024.....	(638,858)
2025.....	(705,525)
Thereafter.....	(2,825,138)
Total	\$ (6,124,804)

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.

The liability at June 30, 2020, totaled \$107,395. Changes in the reported liability since July 1, 2018, 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 2019.....	\$ 173,105	\$ 126,080	\$ (175,894)	\$ 123,291
Fiscal year 2020.....	\$ 123,291	\$ (2,217)	\$ (13,679)	\$ 107,395

The Town's liability for unemployment claims is immaterial at June 30, 2020, and therefore is not reported.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 12 FUND BALANCE

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

	<u>General</u>	<u>School Construction</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Permanent fund principal.....	\$ -	\$ -	\$ 2,760,047	\$ 2,760,047
Restricted for:				
Debt service.....	48,289	-	-	48,289
School construction.....	-	2,225,424	-	2,225,424
Flood mitigation.....	-	-	5,839	5,839
Library endowment.....	-	-	2,143,262	2,143,262
Housing funds.....	-	-	904,830	904,830
Conservation fund.....	-	-	91,904	91,904
Sale of land receipts reserved.....	-	-	247,561	247,561
Aberjona River widening.....	-	-	4,716	4,716
SPED Circuit Breaker.....	-	-	932,324	932,324
School lunch.....	-	-	698,183	698,183
Workers' compensation.....	-	-	7,708	7,708
Skilling Field Remediation.....	-	-	14,052	14,052
Aberjona Flood Mitigation.....	-	-	53,841	53,841
General government.....	-	-	571,239	571,239
Public safety.....	-	-	610,537	610,537
Education.....	-	-	1,681,950	1,681,950
Public works.....	-	-	6,939,698	6,939,698
Health and human services.....	-	-	890,068	890,068
Culture and recreation.....	-	-	817,801	817,801
Sub-total - Restricted....	<u>48,289</u>	<u>2,225,424</u>	<u>16,615,513</u>	<u>18,889,226</u>
Committed to:				
Subsequent year's expenditures.....	568,170	-	-	568,170
Building stabilization.....	2,960,121	-	-	2,960,121
Capital stabilization.....	2,175,198	-	-	2,175,198
Continuing appropriations.....	2,357,054	-	-	2,357,054
Sub-total - Committed...	<u>8,060,543</u>	<u>-</u>	<u>-</u>	<u>8,060,543</u>
Assigned to:				
Encumbrances.....	<u>4,206,762</u>	<u>-</u>	<u>-</u>	<u>4,206,762</u>
Unassigned.....	<u>15,159,277</u>	<u>-</u>	<u>(110,111)</u>	<u>15,049,166</u>
Total.....	<u>\$ 27,474,871</u>	<u>\$ 2,225,424</u>	<u>\$ 19,265,449</u>	<u>\$ 48,965,744</u>

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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^{1/2} override)
- Capital Stabilization Fund (approved by Proposition 2^{1/2} 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, 2020 total \$4,538,710, \$2,960,121, and \$2,175,198, respectively, and are reported in the general fund as unassigned (\$4,538,710) and committed (\$5,135,319) 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.....	364
Inactive - entitled to or receiving benefits.....	19
Inactive - not entitled to or not receiving benefits.....	155
Retirees and beneficiaries currently receiving benefits.....	274
Total members.....	<u>812</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 Winchester Retirement Board's members.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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 10 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 9% of annual covered compensation. Members hired on or after January 1, 1979 will 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, 2019, active member contributions totaled \$1,541,000 and employer contributions totaled \$5,184,756. Of that total, \$5,132,390 was contributed by the Town.

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, 2019, were as follows:

Total pension liability.....	\$	159,290,000
Plan fiduciary net position.....		<u>(134,980,071)</u>
Net pension liability.....	\$	<u><u>24,309,929</u></u>
Plan fiduciary net position as a percentage of the total pension liability.....		84.74%

At June 30, 2020, the Town reported a liability of \$24,064,399 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 that was rolled forward to December 31, 2019. The Town's share of the net pension liability is the proportionate share of employer contributions to the System as of December 31, 2019, actuarially determined. At December 31, 2019, the Town's share was 98.99%.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 14 PENSION PLAN (CONTINUED)

For the year ended June 30, 2020, the Town recognized pension expense of approximately \$6,062,000 related to the System and approximately \$15,951,000 related to the Massachusetts Teachers' Retirement System (see Note 15) for a total aggregate pension expense of approximately \$22,013,000. At June 30, 2020, the Town reported deferred outflows of resources related to pensions of \$2,078,790 related to changes in assumptions. At June 30, 2020, the Town reported deferred inflows of resources of \$5,965,137 consisting of differences between expected and actual experience (\$1,374,971) and net differences between projected and actual investment earnings (\$4,590,166).

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
2021.....	\$ (874,082)
2022.....	(1,228,466)
2023.....	327,657
2024.....	(2,111,456)
Total	\$ (3,886,347)

Actuarial Assumptions

The total pension liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was rolled forward to December 31, 2019:

Actuarial cost method:	Entry age normal
Amortization method:	Increasing payments 7.75% per year
Remaining amortization period:	10 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:	Effective July 1, 2020, 3.0% on the first \$14,000 in benefits (was previously \$12,000)

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 14 PENSION PLAN (CONTINUED)

Mortality rates:

- Pre-Retirement - RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2018 (gender distinct).
- Healthy Retiree - RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2018 (gender distinct).
- Disabled Retiree - RP-2014 Blue Collar Healthy Annuitant Table set forward one year projected generationally with Scale MP-2018 (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, 2019, the annual money-weighted rate of return on System investments, net of investment expense, was 16.12%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity.....	39.00%	4.68%
Fixed Income.....	23.00%	1.90%
Private Equity.....	13.00%	8.50%
Real Estate.....	10.00%	3.70%
Timber/Natural Resources.....	4.00%	4.30%
Portfolio Completion Strategies.....	11.00%	3.40%
Total.....	<u>100.00%</u>	

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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.....	\$ 42,393,000	\$ 24,309,929	\$ 8,996,000

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.....	\$ 41,964,831	\$ 24,064,399	\$ 8,905,140

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

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: <https://www.macomptroller.org/cafr>.

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 10 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 10 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 5-9% of regular compensation. Members hired on or after January 1, 1979 will contribute an additional 2% of regular compensation in excess of \$30,000.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Since the Town does not contribute directly to MTRS, the Town does not report a proportionate share of the net pension liability of the MTRS at June 30, 2020. The Commonwealth's net pension liability associated with the Town was \$131,536,755.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 15 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)

The MTRS' net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019.

For the year ended June 30, 2020, the Town recognized pension expense of \$15,951,115 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, 2019 measurement date was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019. This valuation used the following assumptions:

Investment rate of return – 7.25%

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 MP-2016 (gender distinct).

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, 2020**

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, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity.....	39%	4.9%
Portfolio Completion Strategies.....	11%	3.9%
Core Fixed Income.....	15%	1.3%
Private Equity.....	13%	8.2%
Value Added Fixed Income.....	8%	4.7%
Real Estate.....	10%	3.6%
Timber/Natural Resources.....	4%	4.1%
Totals	<u>100%</u>	

Discount rate - The discount rate used to measure the MTRS' total pension liability was 7.25%. 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.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 16 COMBINING FIDUCIARY FUND FINANCIAL STATEMENTS

The Town's Pension Trust Fund and OPEB Trust Fund Statements of Fiduciary Net Position are as follows:

	Pension Trust Fund (As of 12/31/19)	OPEB Trust Fund (As of 06/30/20)	Total
ASSETS			
Cash and Cash Equivalents	\$ 236,368	\$ 192,430	\$ 428,798
Investments:			
Equities	-	2,442,356	2,442,356
Fixed Income Mutual Funds	-	1,162,001	1,162,001
External Investment Pool	134,674,810	-	134,674,810
Receivables, Net of Allowance for Uncollectible Amounts:			
Departmental and Other	89,083	-	89,083
Total Assets	<u>135,000,261</u>	<u>3,796,787</u>	<u>138,797,048</u>
LIABILITIES			
Warrants Payable	<u>20,190</u>	<u>-</u>	<u>20,190</u>
NET POSITION			
Net Position Restricted for Pension and OPEB	<u>\$ 134,980,071</u>	<u>\$ 3,796,787</u>	<u>\$ 138,776,858</u>

The Town's Pension Trust Fund and OPEB Trust Fund Statements of Changes in Fiduciary Net Position are as follows:

	Pension Trust Fund (As of 12/31/19)	OPEB Trust Fund (As of 06/30/20)	Total
ADDITIONS			
Contributions:			
Employer	\$ 5,184,756	\$ 4,580,571	\$ 9,765,327
Plan Members	1,541,000	-	1,541,000
Total Contributions	<u>6,725,756</u>	<u>4,580,571</u>	<u>11,306,327</u>
Net Investment Income:			
Net Appreciation/(Depreciation) in Fair Value of Investments	16,119,676	28,457	16,148,133
Interest	3,408,628	81,430	3,490,058
Total Investment Income	<u>19,528,304</u>	<u>109,887</u>	<u>19,638,191</u>
Less: Investment Expense	<u>(657,304)</u>	<u>-</u>	<u>(657,304)</u>
Net Investment Income	<u>18,871,000</u>	<u>109,887</u>	<u>18,980,887</u>
Other	<u>1,383,793</u>	<u>-</u>	<u>1,383,793</u>
Total Additions	<u>26,980,549</u>	<u>4,690,458</u>	<u>31,671,007</u>
DEDUCTIONS			
Administration	173,000	-	173,000
Benefits and Refunds	8,770,000	4,230,571	13,000,571
Transfers to Other Systems	1,376,563	-	1,376,563
Total Deductions	<u>10,319,563</u>	<u>4,230,571</u>	<u>14,550,134</u>
CHANGE IN NET POSITION	16,660,986	459,887	17,120,873
Net Position - Beginning of Year	<u>118,319,085</u>	<u>3,336,900</u>	<u>121,655,985</u>
NET POSITION - END OF YEAR	<u>\$ 134,980,071</u>	<u>\$ 3,796,787</u>	<u>\$ 138,776,858</u>

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 17 COMMITMENTS

Significant commitments include the encumbrances and continuing appropriations outstanding for the General Fund, which totaled \$6,563,816 at June 30, 2020.

NOTE 18 CONTINGENCIES

Various legal actions and claims are pending against the Town. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2020, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2020.

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, 2020, 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.

**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, 2020**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real Estate and Personal Property Taxes	\$ -	\$ 101,182,003	\$ (578,673)	\$ 100,603,330
Motor Vehicle and Other Excise Taxes	-	3,775,000	116,000	3,891,000
Tax Liens	-	-	-	-
Payments in Lieu of Taxes	-	50,000	(20,000)	30,000
Trash Disposal	-	1,400,000	-	1,400,000
Intergovernmental	-	11,739,626	105,749	11,845,375
Penalties and Interest on Taxes	-	200,000	-	200,000
Licenses and Permits	-	1,500,000	-	1,500,000
Fines and Forfeitures	-	30,000	-	30,000
Departmental and Other	-	1,415,000	-	1,415,000
Investment Income	-	200,000	-	200,000
Total Revenues	-	121,491,629	(376,924)	121,114,705
EXPENDITURES				
Current:				
General Government	990,801	7,722,566	(59,227)	8,654,140
Public Safety	106,424	10,904,484	273,177	11,284,085
Education	878,435	55,871,212	(40,674)	56,708,973
Public Works	1,248,589	8,972,035	168,626	10,389,250
Health and Human Services	45,733	1,151,516	62,969	1,260,218
Culture and Recreation	615,547	2,545,640	(497,622)	2,663,565
Pension Benefits	-	5,132,390	-	5,132,390
Employee Benefits	-	12,749,760	175,900	12,925,660
Property and Liability Insurance	-	415,000	-	415,000
State and County Charges	-	568,021	50,561	618,582
Debt Service:				
Principal	-	7,610,000	-	7,610,000
Interest	-	5,279,996	(179,916)	5,100,080
Total Expenditures	3,885,529	118,922,620	(46,206)	122,761,943
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(3,885,529)	2,569,009	(330,718)	(1,647,238)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	4,835,758	4,192,226	9,027,984
Transfers Out	-	(12,177,990)	(753,288)	(12,931,278)
Total Other Financing Sources (Uses)	-	(7,342,232)	3,438,938	(3,903,294)
NET CHANGE IN FUND BALANCE				
	(3,885,529)	(4,773,223)	3,108,220	(5,550,532)
Fund Balance - Beginning of Year	14,214,389	14,214,389	14,214,389	14,214,389
FUND BALANCE - END OF YEAR	\$ 10,328,860	\$ 9,441,166	\$ 17,322,609	\$ 8,663,857

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>
\$ 100,213,443	\$ -	\$ 100,213,443	\$ (389,887)
3,646,539	-	3,646,539	(244,461)
20,788	-	20,788	20,788
81,390	-	81,390	51,390
1,532,817	-	1,532,817	132,817
11,811,438	-	11,811,438	(33,937)
191,532	-	191,532	(8,468)
1,556,169	-	1,556,169	56,169
23,532	-	23,532	(6,468)
1,575,972	-	1,575,972	160,972
245,175	-	245,175	45,175
<u>120,898,795</u>	<u>-</u>	<u>120,898,795</u>	<u>(215,910)</u>
7,024,393	1,448,830	8,473,223	180,917
10,169,412	176,340	10,345,752	938,333
53,362,747	3,339,549	56,702,296	6,677
8,374,655	1,496,628	9,871,283	517,967
1,143,567	4,967	1,148,534	111,684
2,417,587	97,502	2,515,089	148,476
5,132,390	-	5,132,390	-
12,279,727	-	12,279,727	645,933
373,106	-	373,106	41,894
590,892	-	590,892	27,690
7,610,000	-	7,610,000	-
<u>5,037,079</u>	<u>-</u>	<u>5,037,079</u>	<u>63,001</u>
<u>113,515,555</u>	<u>6,563,816</u>	<u>120,079,371</u>	<u>2,682,572</u>
7,383,240	(6,563,816)	819,424	2,466,662
9,027,984	-	9,027,984	-
<u>(12,931,278)</u>	<u>-</u>	<u>(12,931,278)</u>	<u>-</u>
<u>(3,903,294)</u>	<u>-</u>	<u>(3,903,294)</u>	<u>-</u>
3,479,946	(6,563,816)	(3,083,870)	2,466,662
<u>14,214,389</u>	<u>-</u>	<u>14,214,389</u>	<u>-</u>
<u>\$ 17,694,335</u>	<u>\$ (6,563,816)</u>	<u>\$ 11,130,519</u>	<u>\$ 2,466,662</u>

**TOWN OF WINCHESTER, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020**

OTHER POSTEMPLOYMENT BENEFITS SCHEDULES

**SCHEDULE OF CHANGES IN THE TOWN'S NET OPEB LIABILITY AND
RELATED RATIOS***

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Total OPEB liability</u>			
Service cost	\$ 3,172,839	\$ 4,225,561	\$ 3,384,223
Interest	5,190,937	3,340,032	3,184,347
Changes in Benefit Terms	-	22,779,680	-
Differences between expected and actual experience	-	3,438,391	-
Changes of assumptions	(20,121,890)	12,069,052	-
Benefit payments	<u>(4,230,571)</u>	<u>(3,962,591)</u>	<u>(2,566,904)</u>
Net change in total OPEB liability	(15,988,685)	41,890,125	4,001,666
Total OPEB liability - beginning	<u>128,695,134</u>	<u>86,805,009</u>	<u>82,803,343</u>
Total OPEB liability - ending (a)	<u><u>\$ 112,706,449</u></u>	<u><u>\$ 128,695,134</u></u>	<u><u>\$ 86,805,009</u></u>
<u>Plan fiduciary net position</u>			
Contributions - employer	\$ 4,580,571	\$ 7,140,108	\$ -
Net investment income	109,887	159,383	-
Benefit payments	<u>(4,230,571)</u>	<u>(3,962,591)</u>	<u>-</u>
Net change in plan fiduciary net position	459,887	3,336,900	-
Plan fiduciary net position - beginning	<u>3,336,900</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 3,796,787</u></u>	<u><u>\$ 3,336,900</u></u>	<u><u>\$ -</u></u>
Net OPEB liability - ending (a) - (b)	<u><u>\$ 108,909,662</u></u>	<u><u>\$ 125,358,234</u></u>	<u><u>\$ 86,805,009</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	3.37%	2.59%	0.00%
Covered-employee payroll	66,420,367	64,485,794	61,331,430
Net OPEB liability as a percentage of covered-employee payroll	163.97%	194.40%	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, 2020**

OTHER POSTEMPLOYMENT BENEFITS SCHEDULES (CONTINUED)

SCHEDULE OF EMPLOYER CONTRIBUTIONS (OPEB PLAN)*

	2020	2019
Actuarially determined contribution	\$ 10,097,210	\$ 11,196,214
Contributions in relation to the actuarially determined contribution	(4,580,571)	(7,140,108)
Contribution deficiency (excess)	\$ 5,516,639	\$ 4,056,106
Covered-employee payroll	\$ 66,420,367	\$ 64,485,794
Contributions as a percentage of covered-employee payroll	6.90%	11.07%

SCHEDULE OF INVESTMENT RETURNS (OPEB PLAN)*

	2020	2019
Annual money-weighted rate of return, net of investment expense	3.00%	5.48%

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

**TOWN OF WINCHESTER, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020**

PENSION PLAN SCHEDULES

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

	December 31					
	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 3,471,000	\$ 3,370,000	\$ 3,225,000	\$ 2,999,000	\$ 2,870,000	\$ 2,625,000
Interest	10,708,000	10,235,000	9,706,000	9,664,000	8,883,000	9,100,000
Changes in Benefit Terms	-	1,500,000	-	-	-	-
Differences between expected and actual experience	-	(1,868,000)	(1,166,000)	-	(3,441,000)	-
Changes of assumptions	-	1,800,000	3,460,000	-	9,600,000	-
Benefit payments, including refunds of member contributions	(8,770,000)	(8,002,000)	(7,632,000)	(7,419,000)	(7,101,000)	(6,639,000)
Net change in total pension liability	5,409,000	7,035,000	7,593,000	5,244,000	10,811,000	5,086,000
Total pension liability - beginning	153,881,000	146,846,000	139,253,000	134,009,000	123,198,000	118,112,000
Total pension liability - ending (a)	<u>\$ 159,290,000</u>	<u>\$ 153,881,000</u>	<u>\$ 146,846,000</u>	<u>\$ 139,253,000</u>	<u>\$ 134,009,000</u>	<u>\$ 123,198,000</u>
Plan fiduciary net position						
Contributions - employer	\$ 5,184,756	\$ 4,838,784	\$ 4,515,896	\$ 4,299,134	\$ 4,055,526	\$ 3,906,569
Contributions - member	1,541,000	2,034,000	2,082,000	2,177,000	2,084,000	1,822,431
Net investment income	18,871,000	(3,757,000)	16,484,000	6,989,000	(548,000)	7,702,031
Benefit payments, including refunds of member contributions	(8,770,000)	(8,002,000)	(7,632,000)	(7,419,000)	(7,101,000)	(6,639,000)
Administrative expense	(173,000)	(136,000)	(128,000)	(122,000)	(148,000)	(67,923)
Other	7,230	18,403	1,356	38,247	371	(248,544)
Net change in plan fiduciary net position	16,660,986	(5,003,813)	15,323,252	5,962,381	(1,657,103)	6,475,564
Plan fiduciary net position - beginning	118,319,085	123,322,898	107,999,646	102,037,265	103,694,368	97,218,804
Plan fiduciary net position - ending (b)	<u>\$ 134,980,071</u>	<u>\$ 118,319,085</u>	<u>\$ 123,322,898</u>	<u>\$ 107,999,646</u>	<u>\$ 102,037,265</u>	<u>\$ 103,694,368</u>
Net pension liability - ending (a) - (b)	<u>\$ 24,309,929</u>	<u>\$ 35,561,915</u>	<u>\$ 23,523,102</u>	<u>\$ 31,253,354</u>	<u>\$ 31,971,735</u>	<u>\$ 19,503,632</u>
Plan fiduciary net position as a percentage of the total pension liability	84.74%	76.89%	83.98%	77.56%	76.14%	84.17%
Covered payroll	20,897,000	20,897,000	19,744,000	18,547,000	18,547,000	17,971,254
Net pension liability as a percentage of covered payroll	116.33%	170.18%	119.14%	168.51%	172.38%	108.53%

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

**TOWN OF WINCHESTER, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020**

PENSION PLAN SCHEDULES (CONTINUED)

SCHEDULE OF EMPLOYER CONTRIBUTIONS (SYSTEM)

	Year Ended December 31,				
	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 5,184,756	\$ 4,838,784	\$ 4,515,896	\$ 4,299,134	\$ 4,055,526
Contributions in relation to the actuarially determined contribution	<u>5,184,756</u>	<u>4,838,784</u>	<u>4,515,896</u>	<u>4,299,134</u>	<u>4,055,526</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 20,897,000	\$ 20,897,000	\$ 19,744,000	\$ 18,547,000	\$ 18,547,000
Contributions as a percentage of covered-employee payroll	24.81%	23.16%	22.87%	23.18%	21.87%

(continued)

	Year Ended December 31,				
	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 3,923,441	\$ 3,845,592	\$ 3,777,163	\$ 3,623,792	\$ 3,515,362
Contributions in relation to the actuarially determined contribution	<u>3,923,441</u>	<u>3,845,592</u>	<u>3,777,163</u>	<u>3,623,792</u>	<u>3,515,362</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 17,971,254	\$ 17,971,254	\$ 17,195,132	\$ 17,195,132	\$ 16,879,293
Contributions as a percentage of covered-employee payroll	21.83%	21.40%	21.97%	21.07%	20.83%

(concluded)

SCHEDULE OF INVESTMENT RETURNS (SYSTEM)*

	Year Ended December 31,					
	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	16.12%	-3.07%	15.36%	6.89%	-0.53%	7.98%

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

**TOWN OF WINCHESTER, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020**

PENSION PLAN SCHEDULES (CONTINUED)

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

	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
Town's proportion of the net pension liability	98.99%	99.20%	99.04%	99.11%	99.12%	99.14%
Town's proportionate share of the net pension liability	\$ 24,064,399	\$ 35,277,420	\$ 23,297,279	\$ 30,975,199	\$ 31,690,384	\$ 19,335,901
Town's covered payroll	\$ 20,729,824	\$ 20,729,824	\$ 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 payroll	116.09%	170.18%	119.14%	168.49%	172.38%	108.53%
Plan fiduciary net position as a percentage of the total pension liability	84.74%	76.89%	83.98%	77.56%	76.14%	84.17%

SCHEDULE OF TOWN'S CONTRIBUTIONS (SYSTEM)*

	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
Actuarially Required Contribution	\$ 5,132,390	\$ 4,800,074	\$ 4,472,543	\$ 4,261,038	\$ 4,019,991	\$ 3,889,699
Contributions in Relation to the Actuarially Required Contribution	<u>5,132,390</u>	<u>4,800,074</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered Payroll	\$ 20,729,824	\$ 20,729,824	\$ 19,554,331	\$ 18,383,786	\$ 18,383,786	\$ 17,816,701
Contributions as a Percentage of Covered Payroll	24.76%	23.16%	22.87%	23.18%	21.87%	21.83%

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

(1) 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, 2020**

PENSION PLAN SCHEDULES (CONTINUED)

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

	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>
Town's proportion of the net pension liability	0.00%	0.00%	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>131,536,755</u>	<u>122,941,324</u>	<u>116,744,096</u>	<u>113,116,935</u>	<u>101,190,658</u>	<u>78,050,395</u>
Total	<u>\$ 131,536,755</u>	<u>\$ 122,941,324</u>	<u>\$ 116,744,096</u>	<u>\$ 113,116,935</u>	<u>\$ 101,190,658</u>	<u>\$ 78,050,395</u>
Town's covered payroll	\$ 37,963,498	\$ 36,413,069	\$ 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 payroll	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	53.95%	54.84%	54.25%	52.73%	55.38%	61.64%

SCHEDULE OF TOWN'S CONTRIBUTIONS (MTRS)*

	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 37,963,498	\$ 36,413,069	\$ 34,639,875	\$ 33,554,263	\$ 31,305,359	\$ 30,105,390
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A

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

(1) The amounts presented were determined as of June 30 of the previous year.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

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, 2020, 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.....	\$ 120,898,795	\$ 120,079,371	\$ (3,903,294)	\$ 11,130,519
<u>Reclassifications</u>				
Activity of stabilization funds recorded in the general fund for GAAP purposes.....	271,425	-	(35,904)	9,674,029
Contributions to OPEB trust fund.....	-	350,000	350,000	-
Employee benefits to enterprise funds.....	-	(754,820)	(754,820)	-
<u>Adjustments</u>				
60-day receipts/other revenue adjustments.....	(716)	-	-	242,277
Tax refunds payable.....	31,140	-	-	(28,375)
Workers' compensation payable.....	-	(15,896)	-	(107,395)
MTRS on-behalf.....	15,951,115	15,951,115	-	-
Encumbrances and continuing appropriations.....	-	(6,563,816)	-	6,563,816
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances....	\$ 137,151,759	\$ 129,045,954	\$ (4,344,018)	\$ 27,474,871

