

TOWN OF WINCHESTER, MASSACHUSETTS
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

**TOWN OF WINCHESTER, MASSACHUSETTS
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YEAR ENDED JUNE 30, 2014**

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INDEPENDENT AUDITORS' REPORT

To the Honorable Board of Selectmen
Town of Winchester, Massachusetts
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, 2014 (except for the Winchester Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2013), and the related notes to the financial statements, which collectively comprise the Town of Winchester, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Winchester, Massachusetts, as of June 30, 2014 (except for the Winchester Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2013), 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 (located on pages 3 through 11) and general fund budgetary comparison and certain pension and other postemployment benefits information (located on pages 69 through 73) 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 12, 2015 on our consideration of the Town of Winchester, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Winchester, Massachusetts' internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Boston, MA
February 12, 2015

**TOWN OF WINCHESTER, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

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, 2014.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$143,611,169 (net position).
- The Town's total net position increased \$1,621,519.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$8,864,711, or 9.0 percent of total general fund expenditures and transfers out.
- The Town's total outstanding bonded debt decreased by \$2,290,301 during the fiscal year. The Town issued/recognized new debt of \$3,932,785 and retired \$6,223,086 of existing debt during the fiscal year.

Overview of the Basic Financial Statements

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

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

This report also contains required supplementary information in addition to the basic financial statements, consisting of the following:

1. General Fund budget and actual
2. Pension plan schedules
3. Other post employment benefits schedule

Government-wide financial statements

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

The **statement of net position** presents information on all of the Town's non-fiduciary assets, liabilities and deferred inflows/outflows with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The **statement of activities** presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused vacation leave, etc.).

**TOWN OF WINCHESTER, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

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

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

The government-wide financial statements can be found on pages 12-14 of this report.

Fund financial statements

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

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

Governmental funds

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

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

The Town maintains over 500 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, school construction (capital projects) and Wright/Locke Farm purchase (capital projects), funds, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation titled *nonmajor governmental funds*.

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

Proprietary funds

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

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

**TOWN OF WINCHESTER, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

The proprietary funds basic financial statements can be found on pages 21-23 of this report.

Fiduciary funds

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

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

The fiduciary funds basic financial statements can be found on pages 24-25 of this report.

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 26-67 of this report.

Required supplementary information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the general fund schedule of revenues, expenditures and changes in fund balance (budget and actual) and certain pension and other post employment benefits information, which can be found on pages 69-73.

**TOWN OF WINCHESTER, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

Government-Wide Financial Analysis

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

Net position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded liabilities by \$143,611,169 at the close of the fiscal year and are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2014	2013	2014	2013	2014	2013
Assets						
Current assets.....	\$ 30,835,784	\$ 30,407,675	\$ 5,200,644	\$ 4,256,967	\$ 36,036,428	\$ 34,664,642
Noncurrent assets excluding capital assets).....	23,346,841	22,859,173	-	-	23,346,841	22,859,173
Capital assets (net).....	180,998,459	175,258,559	18,941,026	18,955,544	199,939,485	194,214,103
Total assets.....	235,181,084	228,525,407	24,141,670	23,212,511	259,322,754	251,737,918
Deferred outflows of resources.....	7,325	-	13,449	-	20,774	-
Liabilities						
Current liabilities (excluding debt).....	4,003,748	3,633,172	276,577	276,016	4,280,325	3,909,188
Noncurrent liabilities (excluding debt).....	27,828,597	21,299,850	860,067	760,025	28,688,664	22,059,875
Current debt.....	21,564,451	20,324,680	1,271,091	1,484,865	22,835,542	21,809,545
Noncurrent debt.....	52,385,999	54,623,125	7,401,978	7,346,535	59,787,977	61,969,660
Total liabilities.....	105,782,795	99,880,827	9,809,713	9,867,441	115,592,508	109,748,268
Deferred inflows of resources.....	139,851	-	-	-	139,851	-
Net Position						
Invested in capital assets (net of related debt).....	120,564,766	117,800,948	12,360,071	11,646,744	132,924,837	129,447,692
Restricted.....	11,997,893	8,789,900	-	-	11,997,893	8,789,900
Unrestricted.....	(3,296,896)	2,053,732	1,985,335	1,698,326	(1,311,561)	3,752,058
Total net position.....	\$ 129,265,763	\$ 128,644,580	\$ 14,345,406	\$ 13,345,070	\$ 143,611,169	\$ 141,989,650

The largest portion of the Town's net position (\$132,924,837) reflects its investment in capital assets (e.g., land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles and infrastructure), less any related outstanding debt used to acquire those assets. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (\$11,997,893) represents resources that are subject to external restrictions on how they may be used.

Unrestricted net position in the business-type activities of \$1,985,335 may be used to meet the Town's on-going obligations to citizens and creditors for the Town's water/sewer activities. The Town has no unrestricted net position available for the support of governmental activities. Such resources have been consumed with the recognition of post retirement benefit and environmental remediation liabilities.

**TOWN OF WINCHESTER, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

Changes in Net position

For the fiscal year ended June 30, 2014, the Town's total net position increased \$1,621,519, compared to an increase of \$8,804,010 in the prior fiscal year. These amounts are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2014	2013	2014	2013	2014	2013
Revenues						
<i>Program Revenues:</i>						
Charges for services.....	\$ 7,981,764	\$ 7,855,875	\$ 6,649,379	\$ 6,547,857	\$ 14,631,143	\$ 14,403,732
Operating grants and contributions.....	22,924,394	19,613,967	420,503	2,476	23,344,897	19,616,443
Capital grants and contributions.....	3,262,032	7,947,865	-	-	3,262,032	7,947,865
<i>General Revenues:</i>						
Real estate and personal property taxes.....	71,860,873	69,082,649	-	-	71,860,873	69,082,649
Motor vehicle and other excise taxes.....	3,346,429	3,335,096	-	-	3,346,429	3,335,096
Penalties and interest on taxes.....	241,483	215,912	-	-	241,483	215,912
Payments in lieu of taxes.....	98,432	123,532	-	-	98,432	123,532
Grants and contributions not restricted to specific programs.....	1,793,580	1,554,299	-	-	1,793,580	1,554,299
Unrestricted investment income.....	91,073	8,162	-	-	91,073	8,162
Total revenues.....	111,600,060	109,737,357	7,069,882	6,550,333	118,669,942	116,287,690
Expenses						
General government.....	7,646,432	7,524,214	-	-	7,646,432	7,524,214
Public safety.....	12,751,088	12,532,271	-	-	12,751,088	12,532,271
Education.....	65,867,931	63,290,588	-	-	65,867,931	63,290,588
Public works.....	14,788,814	8,361,844	-	-	14,788,814	8,361,844
Health and human services.....	1,503,176	1,300,591	-	-	1,503,176	1,300,591
Culture and recreation.....	2,801,730	2,695,494	-	-	2,801,730	2,695,494
Debt service - interest.....	2,113,660	2,406,652	-	-	2,113,660	2,406,652
Water/Sewer.....	-	-	7,829,439	7,594,160	7,829,439	7,594,160
Recreation.....	-	-	1,746,153	1,777,866	1,746,153	1,777,866
Total expenses.....	107,472,831	98,111,654	9,575,592	9,372,026	117,048,423	107,483,680
Change in net assets before transfers.....	4,127,229	11,625,703	(2,505,710)	(2,821,693)	1,621,519	8,804,010
Transfers, net.....	(3,506,046)	(3,046,791)	3,506,046	3,046,791	-	-
Change in net position.....	621,183	8,578,912	1,000,336	225,098	1,621,519	8,804,010
Net position - beginning of year.....	128,644,580	120,065,668	13,345,070	13,119,972	141,989,650	133,185,640
Net position - end of year.....	\$ <u>129,265,763</u>	\$ <u>128,644,580</u>	\$ <u>14,345,406</u>	\$ <u>13,345,070</u>	\$ <u>143,611,169</u>	\$ <u>141,989,650</u>

Governmental activities increased the Town's net position by \$621,183. In the prior year, governmental activities increased the Town's net position by \$8,578,912. The key elements of this change is a decrease in capital grants and contributions of approximately \$4,700,000 and recognition of environmental remediation obligations of \$4,200,000.

Business-type activities increased the Town's net position by \$1,000,336. In the prior year, business-type activities increased the Town's net position by \$225,098. The key elements of this change are additional funding of the recreation enterprise fund from the general fund (approximately \$300,000) and a capital grant from the Massachusetts Water Resource Authority reported in the water/sewer enterprise fund (approximately \$400,000).

**TOWN OF WINCHESTER, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

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 \$14,537,926, a decrease of \$789,546 in comparison with the prior year. \$5,846,157 represents a deficit in unassigned fund balance. The primary causes of the deficit in unassigned fund balance are the \$12,020,000 and \$2,500,865 temporary deficits in the Wright/Locke Farm Purchase and School Construction funds, respectively. These funds are in a deficit because they have yet to be permanently financed by long-term debt proceeds and/or sale proceeds and/or intergovernmental revenues.

The remainder of fund balance includes the following constraints:

- Nonspendable (\$2,299,720)
- Restricted (\$9,860,809)
- Committed (\$7,716,251)
- Assigned (\$507,303)

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 \$8,864,711, while total fund balance was \$18,231,691. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents 9.0% of total general fund expenditures and transfers out, while total fund balance represents 18.5% of that same amount.

The fund balance of the Town's general fund increased \$889,028 during fiscal year 2014. The Town recognized a positive budget to actual variance (excluding encumbrances and continuing appropriations) totaling approximately \$3,955,000; and used approximately \$4,177,000 of reserves to fund the fiscal year 2014 budget.

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

The fund balance of the school construction fund (capital projects) decreased \$3,928,895 during the current fiscal year. The fund recognized \$2,657,357 of intergovernmental revenues and \$2,620,000 of bond and note proceeds. Expenditures totaled \$8,851,294. Transfers out of the fund totaled \$354,958.

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

**TOWN OF WINCHESTER, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

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 \$2,084,081. The water/sewer enterprise fund had an increase in net position for the year of \$852,733. Unrestricted net position of the recreation enterprise fund at the end of the year amounted to a deficit of \$98,746. The recreation enterprise fund had an increase in net position for the year of \$147,603. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

The original general fund budgeted expenditures (including transfers out) totaled \$94,445,053. During the year, supplemental appropriations totaling \$1,601,219 were authorized. The following table summarizes the increase:

<u>Purpose of Increase</u>	<u>Amount</u>	<u>Funding Source</u>
Unallocated wage article.....	\$ 725,250	Tax levy
Snow and ice.....	252,000	Unassigned fund balance
Claims and judgments.....	100,000	Unassigned fund balance
Recreation enterprise - additional funding.....	95,000	Unassigned fund balance
Legal expenses.....	94,000	Unassigned fund balance
Recreation enterprise fund deficit.....	83,563	Unassigned fund balance
Capital articles.....	80,000	Unassigned fund balance
Special article (parking).....	75,000	Transfers from parking meter fund
Enterprise fund subsidies.....	61,406	Tax levy
School department (SPED).....	<u>35,000</u>	Transfer from SPED stabilization fund
Total increase.....	<u>\$ 1,601,219</u>	

During the year, revenues and other financing sources and uses exceeded budgetary estimates and expenditures and encumbrances and continuing appropriations were less than budgetary estimates, resulting in a positive budget to actual variance totaling approximately \$2,578,000. Encumbrances and continuing appropriations total approximately \$1,378,000 at year-end.

Capital Assets and Debt Administration

Capital assets

The Town's investment in capital assets for its governmental and business-type activities at the end of the fiscal year totaled \$199,939,485 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles and infrastructure. The total increase in the investment in capital assets for the current fiscal year was \$5,725,382 (2.9%).

**TOWN OF WINCHESTER, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

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

- School building improvements (approximately \$7,364,000)
- Center Falls Dam improvements in progress (approximately \$802,000)

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>	
	2014	2013	2014	2013	2014	2013
Land.....	\$ 60,081,516	\$ 60,081,516	\$ -	\$ -	\$ 60,081,516	\$ 60,081,516
Land improvements.....	7,042,163	2,321,862	1,458,049	1,451,548	8,500,212	3,773,410
Buildings and improvements.....	97,640,725	73,253,593	4,513,880	4,658,770	102,154,605	77,912,363
Machinery and equipment.....	1,900,156	1,912,100	526,201	593,594	2,426,357	2,505,694
Vehicles.....	1,145,787	1,313,434	76,641	-	1,222,428	1,313,434
Infrastructure.....	7,656,995	8,075,579	11,931,917	10,360,252	19,588,912	18,435,831
Construction in progress.....	5,531,117	28,300,475	434,338	1,891,380	5,965,455	30,191,855
Total capital assets.....	\$ 180,998,459	\$ 175,258,559	\$ 18,941,026	\$ 18,955,544	\$ 199,939,485	\$ 194,214,103

Additional information on the Town's capital assets can be found in Note 5 on pages 48 - 50 of this report.

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$65,923,219, 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>	
	2014	2013	2014	2013	2014	2013
General obligation bonds.....	\$ 57,230,420	\$ 59,625,739	\$ 7,926,580	\$ 8,174,261	\$ 65,157,000	\$ 67,800,000
MWRA notes.....	-	-	746,189	389,483	746,189	389,483
MWPAT notes.....	20,030	24,037	-	-	20,030	24,037
Total bonds and notes.....	\$ 57,250,450	\$ 59,649,776	\$ 8,672,769	\$ 8,563,744	\$ 65,923,219	\$ 68,213,520

The Town's total bonded debt decreased \$2,290,301 (3.4%) during the current fiscal year. The Town issued/recognized new debt of \$3,932,785 and retired \$6,223,086 of existing debt during the fiscal year. The Town's bond rating from Moody's Investors Services for the July 2014 bond issuance was Aaa.

Additional information on the Town's long-term debt can be found in Note 9 on pages 53 - 57 of this report.

Economic Factors and Next Year's Budgets and Rates

The Annual Town Meeting held this past spring approved the fiscal year 2015 Operating Budget of \$103,602,034 which includes the appropriations of the General Fund, appropriations to the Special Article Fund, Building Stabilization Fund, Capital Stabilization Fund, Other Funds and the appropriation to the Water/Sewer and Recreation Enterprise Funds. Also included in the total appropriations is a transfer from the General Fund to the OPEB Trust Fund in the amount of \$470,000, bringing the OPEB Trust Fund balance to approximately \$1,400,000.

**TOWN OF WINCHESTER, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

The provisions of Proposition 2^{1/2} limit the growth of the Town's major source of revenue, property taxes, to an annual increase of 2^{1/2} 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. It is expected that in fiscal year 2015, the revenue collected from taxes will amount to approximately \$73,725,000.

Total fiscal year 2014 General Fund budgetary basis revenue and transfers from other funds was \$94,950,726. Property taxes accounted for 75.14%, Motor Vehicle Excise 3.58% and Intergovernmental 10.51% of total General Fund revenue. In fiscal year 2015, State revenue is expected to increase compared to fiscal year 2014. General Fund State reimbursements related to School construction will be \$672,082.

Total fiscal year 2014 General Fund budgetary basis expenditures (including encumbrances and continued appropriations) and transfers to other funds amount to \$96,549,692.

The Town continues to have substantial balances in its Stabilization Funds. The balances at June 30, 2014 in these funds are as follows:

- General/Capital Stabilization Fund - \$4,217,998
- Building Stabilization Fund - \$4,111,143
- Capital Stabilization Fund - \$1,473,727
- Special Education Stabilization Fund - \$265,870

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.

STATEMENT OF NET POSITION

JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents.....	\$ 10,634,399	\$ 1,217,799	\$ 11,852,198
Restricted Cash and Cash Equivalents.....	6,881,321	2,092,114	8,973,435
Investments.....	8,271,949	-	8,271,949
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate and Personal Property Taxes.....	896,462	-	896,462
Tax and Utility Liens.....	620,209	49,150	669,359
Motor Vehicles and Other Excise Taxes.....	299,081	-	299,081
User Charges.....	-	1,841,581	1,841,581
Special Assessments.....	1,430	-	1,430
Department and Other.....	376,291	-	376,291
Intergovernmental.....	2,854,642	-	2,854,642
Total Current Assets	30,835,784	5,200,644	36,036,428
Noncurrent Assets:			
Restricted Cash and Cash Equivalents.....	1,520,886	-	1,520,886
Restricted Investments.....	4,496,650	-	4,496,650
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate Tax Deferrals.....	696,909	-	696,909
Special Assessments.....	24,015	-	24,015
Intergovernmental.....	2,594,778	-	2,594,778
Tax Foreclosures.....	13,603	-	13,603
Assets Held for Resale.....	14,000,000	-	14,000,000
Capital Assets Not Being Depreciated.....	65,612,633	434,338	66,046,971
Capital Assets, Net of Accumulated Depreciation.....	115,385,826	18,506,688	133,892,514
Total Noncurrent Assets	204,345,300	18,941,026	223,286,326
Total Assets	235,181,084	24,141,670	259,322,754
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Loss on Refunding.....	7,325	13,449	20,774
LIABILITIES			
Current Liabilities:			
Warrants Payable.....	1,577,027	69,442	1,646,469
Accrued Payroll.....	532,406	71,316	603,722
Tax Refunds Payable.....	300,000	-	300,000
Other Liabilities.....	239,014	-	239,014
Accrued Interest.....	964,362	130,214	1,094,576
Workers' Compensation Claims.....	231,898	-	231,898
Compensated Absences.....	159,041	5,605	164,646
Short-Term Notes Payable.....	16,700,000	300	16,700,300
Long-Term Bonds and Notes Payable.....	4,864,451	1,270,791	6,135,242
Total Current Liabilities	25,568,199	1,547,668	27,115,867
Noncurrent Liabilities:			
Workers' Compensation Claims.....	68,329	-	68,329
Environmental Remediation.....	4,200,000	-	4,200,000
Compensated Absences.....	1,431,368	50,444	1,481,812
Net OPEB Obligation.....	22,128,900	809,623	22,938,523
Long-Term Bonds and Notes Payable.....	52,385,999	7,401,978	59,787,977
Total Noncurrent Liabilities	80,214,596	8,262,045	88,476,641
Total Liabilities	105,782,795	9,809,713	115,592,508
DEFERRED INFLOWS OF RESOURCES			
Taxes Received in Advance.....	139,851	-	139,851
NET POSITION			
Net Investment in Capital Assets.....	120,564,766	12,360,071	132,924,837
Restricted For:			
Other Postemployment Benefits.....	989,421	-	989,421
Debt Service.....	154,005	-	154,005
Permanent Funds:			
Expendable.....	2,767,120	-	2,767,120
Nonexpendable.....	2,299,720	-	2,299,720
Other Specific Purposes.....	5,787,627	-	5,787,627
Unrestricted.....	(3,296,896)	1,985,335	(1,311,561)
Total Net Position	\$ 129,265,763	\$ 14,345,406	\$ 143,611,169

See Notes to Basic Financial Statements.

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Government Activities:					
General Government.....	\$ 7,646,432	\$ 646,597	\$ 271,472	\$ -	\$ (6,728,363)
Public Safety.....	12,751,088	2,766,155	148,484	-	(9,836,449)
Education.....	65,867,931	2,687,996	18,334,597	2,657,357	(42,187,981)
Public Works.....	14,788,814	1,698,403	3,193,282	604,675	(9,292,454)
Health and Human Services.....	1,503,176	147,845	70,557	-	(1,284,774)
Culture and Recreation.....	2,801,730	34,768	537,981	-	(2,228,981)
Debt Service - Interest.....	2,113,660	-	368,021	-	(1,745,639)
Total Governmental Activities.....	<u>107,472,831</u>	<u>7,981,764</u>	<u>22,924,394</u>	<u>3,262,032</u>	<u>(73,304,641)</u>
Business-Type Activities:					
Water/Sewer.....	7,829,439	4,995,607	419,723	-	(2,414,109)
Recreation.....	<u>1,746,153</u>	<u>1,653,772</u>	<u>780</u>	<u>-</u>	<u>(91,601)</u>
Total Business-Type Activities.....	<u>9,575,592</u>	<u>6,649,379</u>	<u>420,503</u>	<u>-</u>	<u>(2,505,710)</u>
Total Primary Government.....	<u>\$ 117,048,423</u>	<u>\$ 14,631,143</u>	<u>\$ 23,344,897</u>	<u>\$ 3,262,032</u>	<u>\$ (75,810,351)</u>

(continued)

STATEMENT OF ACTIVITIES (Continued)

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
CHANGES IN NET POSITION			
Net (Expense)/Revenue (from Previous Page)...	\$ (73,304,641)	\$ (2,505,710)	\$ (75,810,351)
General Revenues:			
Real Estate and Personal Property Taxes.....	71,860,873	-	71,860,873
Motor Vehicle and Other Excise Taxes.....	3,346,429	-	3,346,429
Penalties and Interest on Taxes.....	241,483	-	241,483
Payments in Lieu of Taxes.....	98,432	-	98,432
Grants and Contributions not Restricted to Specific Programs.....	1,793,580	-	1,793,580
Unrestricted Investment Income.....	91,073	-	91,073
Transfers, Net.....	(3,506,046)	3,506,046	-
Total General Revenues and Transfers.....	73,925,824	3,506,046	77,431,870
CHANGE IN NET POSITION.....	621,183	1,000,336	1,621,519
Net Position - Beginning of Year.....	128,644,580	13,345,070	141,989,650
NET POSITION - END OF YEAR.....	<u>\$ 129,265,763</u>	<u>\$ 14,345,406</u>	<u>\$ 143,611,169</u>

See Notes to Basic Financial Statements.

(concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2014

ASSETS	<u>General</u>	<u>School Construction</u>	<u>Wright/Locke Farm Purchase</u>
Cash and Cash Equivalents.....	\$ 10,634,399	\$ -	\$ -
Investments.....	8,271,949	-	-
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate and Personal Property Taxes.....	896,462	-	-
Real Estate Tax Deferrals.....	696,909	-	-
Tax Liens.....	620,209	-	-
Motor Vehicles and Other Excise Taxes.....	299,081	-	-
Special Assessments.....	25,445	-	-
Departmental and Other.....	260,123	-	-
Intergovernmental.....	3,027,241	1,664,958	-
Tax Foreclosures.....	13,603	-	-
Restricted Assets:			
Cash and Cash Equivalents.....	1,143,426	1,356,630	-
Investments.....	-	-	-
Total Assets	<u>\$ 25,888,847</u>	<u>\$ 3,021,588</u>	<u>\$ -</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Warrants Payable.....	\$ 656,961	\$ 842,453	\$ -
Accrued Payroll.....	497,584	-	-
Tax Refunds Payable.....	300,000	-	-
Other Liabilities.....	22,523	-	-
Accrued Short-Term Interest.....	200,095	-	-
Workers' Compensation Claims.....	300,227	-	-
Short-Term Notes Payable.....	-	4,680,000	12,020,000
Total Liabilities.....	<u>1,977,390</u>	<u>5,522,453</u>	<u>12,020,000</u>
Deferred Inflows of Resources:			
Taxes Received in Advance.....	139,851	-	-
Unavailable Revenue.....	<u>5,539,915</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources.....	<u>5,679,766</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Nonspendable.....	-	-	-
Restricted.....	1,143,426	-	-
Committed.....	7,716,251	-	-
Assigned.....	507,303	-	-
Unassigned.....	<u>8,864,711</u>	<u>(2,500,865)</u>	<u>(12,020,000)</u>
Total Fund Balances.....	<u>18,231,691</u>	<u>(2,500,865)</u>	<u>(12,020,000)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances.....	<u>\$ 25,888,847</u>	<u>\$ 3,021,588</u>	<u>\$ -</u>

See Notes to Basic Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 10,634,399
-	8,271,949
-	896,462
-	696,909
-	620,209
-	299,081
-	25,445
116,168	376,291
757,221	5,449,420
-	13,603
5,902,151	8,402,207
<u>4,496,650</u>	<u>4,496,650</u>
<u>\$ 11,272,190</u>	<u>\$ 40,182,625</u>

\$ 77,609	\$ 1,577,023
34,822	532,406
-	300,000
216,491	239,014
-	200,095
-	300,227
-	16,700,000
<u>328,922</u>	<u>19,848,765</u>
-	139,851
<u>116,168</u>	<u>5,656,083</u>
<u>116,168</u>	<u>5,795,934</u>
2,299,720	2,299,720
8,717,383	9,860,809
-	7,716,251
-	507,303
<u>(190,003)</u>	<u>(5,846,157)</u>
<u>10,827,100</u>	<u>14,537,926</u>
<u>\$ 11,272,190</u>	<u>\$ 40,182,625</u>

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General	School Construction	Wright/Locke Farm Purchase
REVENUES			
Real Estate and Personal Property Taxes.....	\$ 71,546,473	\$ -	\$ -
Motor Vehicle and Other Excise Taxes.....	3,396,688	-	-
Tax Liens.....	127,018	-	-
Payments in Lieu of Taxes.....	98,432	-	-
Charges for Services.....	-	-	-
Trash Disposal.....	1,411,069	-	-
Intergovernmental.....	18,120,288	2,657,357	-
Special Assessments.....	28,660	-	-
Penalties and Interest on Taxes.....	241,483	-	-
Licenses and Permits.....	1,397,616	-	-
Fines and Forfeitures.....	41,705	-	-
Departmental and Other.....	1,352,729	-	-
Contributions.....	-	-	-
Investment Income.....	228,620	-	-
Total Revenues	97,990,781	2,657,357	-
EXPENDITURES			
Current:			
General Government.....	6,486,936	-	-
Public Safety.....	8,211,382	-	-
Education.....	39,750,512	8,851,294	-
Public Works.....	6,901,038	-	-
Health and Human Services.....	635,884	-	-
Culture and Recreation.....	1,679,774	-	-
Pension Benefits.....	11,844,318	-	-
Employee Benefits.....	10,391,340	-	-
Property and Liability Insurance.....	302,208	-	-
Claims and Judgments.....	100,000	-	-
State and County Charges.....	512,225	-	-
Debt Service:			
Principal.....	5,019,326	-	-
Interest.....	2,222,825	-	-
Total Expenditures	94,057,768	8,851,294	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	3,933,013	(6,193,937)	-
OTHER FINANCING SOURCES (USES)			
Transfers In.....	1,498,968	-	-
Proceeds of Bonds and Notes.....	-	2,620,000	-
Premium from Issuance of Bonds and Notes.....	128,402	-	-
Transfers Out.....	(4,671,355)	(354,958)	-
Total Other Financing Sources (Uses).....	(3,043,985)	2,265,042	-
NET CHANGE IN FUND BALANCE.....	889,028	(3,928,895)	-
Fund Balances - Beginning of Year.....	17,342,663	1,428,030	(12,020,000)
FUND BALANCES - END OF YEAR.....	\$ 18,231,691	\$ (2,500,865)	\$ (12,020,000)

See Notes to Basic Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 71,546,473
-	3,396,688
-	127,018
-	98,432
1,937,145	1,937,145
-	1,411,069
5,942,494	26,720,139
-	28,660
-	241,483
214,727	1,612,343
-	41,705
1,622,507	2,975,236
691,888	691,888
734,493	963,113
<u>11,143,254</u>	<u>111,791,392</u>
66,438	6,553,374
903,702	9,115,084
5,832,869	54,434,675
1,759,701	8,660,739
198,227	834,111
153,295	1,833,069
-	11,844,318
-	10,391,340
-	302,208
-	100,000
-	512,225
-	5,019,326
-	2,222,825
<u>8,914,232</u>	<u>111,823,294</u>
<u>2,229,022</u>	<u>(31,902)</u>
280,367	1,779,335
-	2,620,000
-	128,402
<u>(259,068)</u>	<u>(5,285,381)</u>
<u>21,299</u>	<u>(757,644)</u>
2,250,321	(789,546)
<u>8,576,779</u>	<u>15,327,472</u>
<u>\$ 10,827,100</u>	<u>\$ 14,537,926</u>

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

JUNE 30, 2014

Fund Balance - Total Governmental Funds (Page 16).....	\$ 14,537,926
Capital assets (net of accumulated depreciation) used in Governmental Activities are not financial resources and, therefore, are not reported in the Governmental Funds.....	180,998,455
Assets Held for Resale in Governmental Activities are not financial resources and, therefore, are not reported in Governmental Funds.....	14,000,000
Other assets are not available to pay for current period expenditures and, therefore, are deferred inflows in the Governmental Funds.....	5,656,083
In the Statement of Net Position, interest is accrued on outstanding long-term debt, whereas in the Governmental Funds interest on long-term debt is not reported until due.....	(764,267)
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the Governmental Funds:	
Bonds and notes payable, net of deferred losses on refundings.....	(57,243,125)
Environmental remediation.....	(4,200,000)
Compensated absences.....	(1,590,409)
Net OPEB obligation.....	<u>(22,128,900)</u>
Net Position of Governmental Activities (Page 12).....	<u>\$ 129,265,763</u>

See Notes to Basic Financial Statements.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Net Change in Fund Balance - Total Governmental Funds (Page 18).... \$ (789,546)

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.....	9,970,944
Depreciation.....	(4,211,257)

In the statement of activities, the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, disposals of capital assets are not reported as financial resources. As a result, the change in net position differs from the change in fund balance by the net book value of capital assets disposed.....

(19,787)

Revenue in the statement of activities that do not provide current financial resources are deferred inflows in the statement of revenues, expenditures, and changes in fund balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred inflows.....

(319,734)

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

Bond Proceeds.....	(2,620,000)
Bond Maturities.....	5,019,326
Amortization of Deferred Losses on Refundings.....	(14,646)

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.....

123,808

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:

Environmental Remediation.....	(4,200,000)
Compensated Absences.....	(9,566)
Net OPEB Obligation.....	<u>(2,308,359)</u>

Changes in Net Position of Governmental Activities (Page 14)..... \$ 621,183

See Notes to Basic Financial Statements.

PROPRIETARY FUNDS
STATEMENT OF FUND NET POSITION

JUNE 30, 2014

	Business-Type Activities - Enterprise Funds		
	Water/ Sewer	Recreation (Nonmajor)	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents.....	\$ 1,030,564	\$ 187,235	\$ 1,217,799
Restricted Cash and Cash Equivalents.....	2,092,114	-	2,092,114
Receivables, Net of Allowance for Uncollectible Amounts:			
User Charges.....	1,841,581	-	1,841,581
Utility Liens.....	49,150	-	49,150
Total Current Assets.....	<u>5,013,409</u>	<u>187,235</u>	<u>5,200,644</u>
Noncurrent Assets:			
Capital Assets Not Being Depreciated.....	434,338	-	434,338
Capital Assets, Net of Accumulated Depreciation.....	<u>18,489,765</u>	<u>16,923</u>	<u>18,506,688</u>
Total Noncurrent Assets.....	<u>18,924,103</u>	<u>16,923</u>	<u>18,941,026</u>
Total Assets.....	<u>23,937,512</u>	<u>204,158</u>	<u>24,141,670</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Loss on Refunding.....	<u>13,449</u>	-	<u>13,449</u>
LIABILITIES			
Current Liabilities:			
Warrants Payable.....	52,605	16,837	69,442
Accrued Payroll.....	26,638	44,678	71,316
Accrued Interest.....	130,214	-	130,214
Compensated Absences.....	5,605	-	5,605
Short-Term Notes Payable.....	300	-	300
Long-Term Bonds and Notes Payable.....	<u>1,270,791</u>	-	<u>1,270,791</u>
Total Current Liabilities.....	<u>1,486,153</u>	<u>61,515</u>	<u>1,547,668</u>
Noncurrent Liabilities:			
Compensated Absences.....	50,444	-	50,444
Net OPEB Obligation.....	585,157	224,466	809,623
Long-Term Bonds and Notes Payable.....	<u>7,401,978</u>	-	<u>7,401,978</u>
Total Noncurrent Liabilities.....	<u>8,037,579</u>	<u>224,466</u>	<u>8,262,045</u>
Total Liabilities.....	<u>9,523,732</u>	<u>285,981</u>	<u>9,809,713</u>
FUND NET POSITION			
Net Investment in Capital Assets.....	12,343,148	16,923	12,360,071
Unrestricted.....	<u>2,084,081</u>	<u>(98,746)</u>	<u>1,985,335</u>
Total Net Position.....	<u>\$ 14,427,229</u>	<u>\$ (81,823)</u>	<u>\$ 14,345,406</u>

See Notes to Basic Financial Statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds		
	Water/ Sewer	Recreation (Nonmajor)	Total
OPERATING REVENUES			
Charges for Services.....	\$ 4,975,785	\$ 1,653,772	\$ 6,629,557
Penalties and Interest.....	19,822	-	19,822
Total Operating Revenues.....	<u>4,995,607</u>	<u>1,653,772</u>	<u>6,649,379</u>
OPERATING EXPENSES			
Cost of Service and Administration.....	2,108,244	1,733,231	3,841,475
MWRA Assessment.....	4,845,942	-	4,845,942
Depreciation.....	606,133	12,922	619,055
Total Operating Expenses.....	<u>7,560,319</u>	<u>1,746,153</u>	<u>9,306,472</u>
OPERATING INCOME (LOSS).....	<u>(2,564,712)</u>	<u>(92,381)</u>	<u>(2,657,093)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment Income.....	1,808	780	2,588
Interest Expense.....	(269,120)	-	(269,120)
Total Nonoperating Revenues (Expenses), Net.....	<u>(267,312)</u>	<u>780</u>	<u>(266,532)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS.....	<u>(2,832,024)</u>	<u>(91,601)</u>	<u>(2,923,625)</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Capital Contributions.....	417,915	-	417,915
Transfers In.....	4,063,480	337,078	4,400,558
Transfers Out.....	(796,638)	(97,874)	(894,512)
Total Capital Contributions and Transfers.....	<u>3,684,757</u>	<u>239,204</u>	<u>3,923,961</u>
CHANGES IN FUND NET POSITION.....	852,733	147,603	1,000,336
Fund Net Position - Beginning of Year.....	<u>13,574,496</u>	<u>(229,426)</u>	<u>13,345,070</u>
FUND NET POSITION - END OF YEAR.....	<u>\$ 14,427,229</u>	<u>\$ (81,823)</u>	<u>\$ 14,345,406</u>

See Notes to Basic Financial Statements.

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds		
	Water/ Sewer	Recreation (Nonmajor)	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users.....	\$ 5,025,070	\$ 1,653,772	\$ 6,678,842
Payments to Vendors.....	(5,761,593)	(720,661)	(6,482,254)
Payments to Employees.....	(1,139,828)	(947,002)	(2,086,830)
Net Cash Provided by Operating Activities.....	(1,876,351)	(13,891)	(1,890,242)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers In.....	4,063,480	337,078	4,400,558
Transfers Out.....	(796,638)	(97,874)	(894,512)
Payment of an advance.....	-	(38,858)	(38,858)
Net Cash Provided by Noncapital Financing Activities.....	3,266,842	200,346	3,467,188
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from the Issuance of Bonds and Notes.....	1,313,085	-	1,313,085
Capital Contributions (MWRA Grant).....	417,915	-	417,915
Acquisition and Construction of Capital Assets.....	(604,537)	-	(604,537)
Principal Payments on Bonds and Notes.....	(1,511,760)	-	(1,511,760)
Interest Expense.....	(259,954)	-	(259,954)
Net Cash Provided by Capital and Related Financing Activities.....	(645,251)	-	(645,251)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income.....	1,808	780	2,588
Net Cash Provided by Investing Activities.....	1,808	780	2,588
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	747,048	187,235	934,283
Cash and Cash Equivalents - Beginning of Year (includes \$1,522,600 reported as restricted in Water/Sewer).....	2,375,630	-	2,375,630
CASH AND CASH EQUIVALENTS AT END OF YEAR (includes \$2,092,114 reported as restricted in Water/Sewer).....	\$ 3,122,678	\$ 187,235	\$ 3,309,913
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Operating Income (Loss).....	\$ (2,564,712)	\$ (92,381)	\$ (2,657,093)
Adjustments to Reconcile Operating Income (Loss) to net Cash Provided by Operating Activities:			
Adjustments not Requiring Current Cash Flows:			
Depreciation.....	606,133	12,922	619,055
Net OPEB Obligation.....	52,955	45,734	98,689
Adjustments Requiring Current Cash Flows:			
Changes in Assets and Liabilities:			
Utility Liens.....	45,076	-	45,076
User Charges.....	(15,613)	-	(15,613)
Warrants Payable.....	(2,066)	(8,984)	(11,050)
Accrued Payroll.....	373	28,818	29,191
Accrued Compensated Absences.....	1,503	-	1,503
Total Adjustments.....	688,361	78,490	766,851
Net Cash Provided by Operating Activities.....	\$ (1,876,351)	\$ (13,891)	\$ (1,890,242)

See Notes to Basic Financial Statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2014

	<u>Pension Trust Fund (As of 12/31/13)</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS			
Cash and Cash Equivalents.....	\$ 2,147,194	\$ 68,444	\$ 882,087
Investments.....	95,015,039	660,501	-
Receivables, Net of Allowance for Uncollectible Amounts:			
Departmental and Other.....	1,265	-	-
Intergovernmental.....	61,637	-	-
	<u>97,225,135</u>	<u>728,945</u>	<u>\$ 882,087</u>
LIABILITIES			
Warrants Payable.....	6,331	-	18,081
Other Liabilities.....	-	-	835,889
Liabilities Due Depositors.....	-	-	28,117
	<u>6,331</u>	<u>-</u>	<u>\$ 882,087</u>
NET POSITION			
Held in Trust For Pension Benefits and Other Purposes.....	<u>\$ 97,218,804</u>	<u>\$ 728,945</u>	

See Notes to Basic Financial Statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Pension Trust Fund (As of 12/31/13)</u>	<u>Private Purpose Trust Funds</u>
ADDITIONS		
Contributions:		
Employer.....	\$ 3,845,592	\$ -
Plan Members.....	<u>1,703,358</u>	<u>-</u>
Total Contributions.....	<u>5,548,950</u>	<u>-</u>
Net Investment Income:		
Net Appreciation in Fair Value of Investments.....	9,752,331	95,894
Interest.....	<u>1,231,088</u>	<u>26,176</u>
Total Investment Income.....	10,983,419	122,070
Less: Investment Expense.....	<u>(257,089)</u>	<u>-</u>
Net Investment Income.....	<u>10,726,330</u>	<u>122,070</u>
Intergovernmental.....	<u>129,879</u>	<u>-</u>
Transfers from Other Systems.....	<u>266,859</u>	<u>-</u>
Total Additions.....	<u>16,672,018</u>	<u>122,070</u>
DEDUCTIONS		
Administration.....	101,853	-
Retirement Benefits and Refunds.....	6,555,313	-
Transfers to Other Systems.....	449,407	-
Scholarships Awarded.....	<u>-</u>	<u>4,433</u>
Total Deductions.....	<u>7,106,573</u>	<u>4,433</u>
CHANGE IN NET POSITION.....	9,565,445	117,637
Net Position - Beginning of Year.....	<u>87,653,359</u>	<u>611,308</u>
NET POSITION - END OF YEAR.....	\$ <u>97,218,804</u>	\$ <u>728,945</u>

See Notes to Basic Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

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

B. Reporting Entity

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

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

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

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

Blended Component Unit

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

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

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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 2014 assessment totaled approximately \$190,000. Separate financial statements may be obtained by writing to the Treasurer of the District at 100 Hemlock Road, Wakefield, Massachusetts 01880.

C. Implementation of New Accounting Principles

For the year ending June 30, 2014, the Town of Winchester implemented the following pronouncements issued by the GASB:

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities

GASB Statement No. 66, Technical Corrections – 2012 – an Amendment of GASB Statement No. 25

The implementation of GASB Statement No. 65 introduced the reporting of deferred inflows and outflows of resources, which represents the acquisition and consumption of net position/fund balances that apply to a future period(s) and so will not be recognized as an inflow/outflow of resources (expense/expenditure) until that time.

The implementation of GASB Statement No. 66 had no reporting impact for the Town.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

Fiduciary funds are reported by fund type.

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

Government-Wide Financial Statements

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

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

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

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Government-Wide Financial Statements (Continued)

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

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

Fund Financial Statements

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

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

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

The following major governmental funds are reported:

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

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

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

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Financial Statements (Continued)

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

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

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

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

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

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

The following major proprietary fund is reported:

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

The following nonmajor proprietary fund is reported:

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

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Financial Statements (Continued)

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

The following fiduciary fund types are reported:

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

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

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

F. Deposits and Investments

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

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

Pooled Funds

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

Real Estate

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

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Deposits and Investments (Continued)

Alternative Investments

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

G. Accounts Receivable

Government-Wide and Fund Financial Statements

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

Real Estate Taxes, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 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.

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

Motor Vehicle Excise Taxes

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

User Charges (Water and Sewer)

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

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accounts Receivable (Continued)

Government-Wide and Fund Financial Statements (continued)

Special Assessments

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

Departmental and Other

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

Intergovernmental

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

H. Allowance for Uncollectible Amounts

Government-Wide and Fund Financial Statements

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

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

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

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

Intergovernmental receivables are considered 100% collectible.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Inventories

Government-Wide and Fund Financial Statements

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

J. Restricted Assets

Government-Wide and Fund Financial Statements

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

K. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

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

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

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

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

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>	<u>Capitalization Threshold (\$)</u>
Land.....	N/A	25,000
Land improvements.....	20-30	25,000
Buildings and improvements.....	7-50	25,000
Machinery and equipment.....	5-30	5,000
Vehicles.....	5-10	5,000
Infrastructure.....	20-60	50,000

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets (Continued)

Government-Wide and Proprietary Fund Financial Statements (continued)

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

Governmental Fund Financial Statements

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

L. Interfund Receivables and Payables

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

M. Interfund Transfers

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Deferred Outflows of Resources

Government-Wide and Fund Financial Statements

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

The Town has one item that qualifies for reporting in this category. It is as follows:

- A deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or the refunding debt.

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 two items that qualify for reporting in this category. They are as follows:

- Taxes received in advance are reported in the government-wide statement of net position and the governmental funds balance sheet. Taxes received in advance represent amounts collected in the current fiscal year that apply to the subsequent fiscal year's tax levy.
- Unavailable revenue is reported in the governmental funds balance sheet. Unavailable revenue represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting.

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 have been "restricted" for the following:

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

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

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Net Position and Fund Balances (Continued)

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

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

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

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

Governmental Funds Financial Statements (Fund Balances)

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

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

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

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

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

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

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

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

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Net Position and Fund Balances (Continued)

Governmental Funds Financial Statements (Fund Balances) (continued)

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

Q. Long-Term Debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Funds Financial Statements

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

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

R. Investment Income

Government-Wide and Fund Financial Statements

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

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

S. Compensated Absences

Government-Wide and Proprietary Fund Financial Statements

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

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

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Compensated Absences (Continued)

Governmental Funds Financial Statements

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

T. Other Post-Employment Benefits

Government-Wide and Fund Financial Statements

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

U. 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.

V. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Municipal Law requires the adoption of a balanced budget that is approved by Town Meeting vote. The Finance Committee presents an annual budget to Town Meeting, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. Town Meeting, which has full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote and in some instances 2/3rds vote.

Increases to the original budget subsequent to the approval of the annual budget require Special Town Meeting approval.

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

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

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2014 approved budget for the general fund authorized \$94,445,053 in appropriations. During fiscal year 2014, supplemental appropriations totaling \$1,601,219 were authorized.

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

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

B. FUND DEFICITS

At June 30, 2014, the following fund deficits exist:

Fund	Amount	Funding Source
Wright/Locke Farm Purchase (major fund).....	\$ 12,020,000 *	Proceeds from sale of land or issuance of long-term debt
School Construction (major fund).....	2,500,865	State grant and issuance of long-term debt
Special Duty Details.....	190,003	User charges and available funds
Recreation Enterprise Fund.....	81,823	User charges and available funds

*See Note 17

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 DEPOSITS AND INVESTMENTS

Town (Excluding the Pension Trust Fund)

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

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

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

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits may not be recovered. The Town does not have a policy for custodial credit risk of deposits. As of June 30, 2014, \$10,837,019 of the Town's bank balance of \$15,075,590 was uninsured and uncollateralized.

Investments Summary

The Town's investments at June 30, 2014 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.....	\$ 672,887	\$ -	\$ 497,097	\$ 111,743	\$ 64,047
U.S. Agencies.....	261,106	-	-	261,106	-
Corporate bonds.....	102,592	-	-	-	102,592
Money market mutual funds.....	919,152	919,152	-	-	-
Certificates of deposit.....	7,020,671	2,729,523	3,177,925	694,378	418,845
Fixed income securities.....	66,040	-	-	-	66,040
External investment pools.....	10,008,999	10,008,999	-	-	-
Total debt securities.....	19,051,447	\$ 13,657,674	\$ 3,675,022	\$ 1,067,227	\$ 651,524
<u>Other Investments:</u>					
Equity securities.....	3,512,623				
Equity mutual funds.....	1,877,455				
Total other investments.....	5,390,078				
Total investments.....	\$ 24,441,525				

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments - Interest Rate Risk of Debt Securities

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

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk of investments. As of June 30, 2014, the Town was not exposed to custodial credit risk.

Investments - Credit Risk of Debt Securities

Credit risk for investments is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Town has a policy that corporate debt obligations shall be rated no less than "A" by at least one nationally recognized bond rating service. As of June 30, 2014, the credit quality ratings of the Town's investments in debt securities are as follows:

Investment Type (2)	Fair Value	Quality Ratings (1)				
		AA+	AA	AA-	BB	Unrated
U.S. Agencies.....	\$ 261,106	\$ 261,106	\$ -	\$ -	\$ -	\$ -
Corporate bonds.....	102,592	-	-	-	102,592	-
Money market mutual funds.....	919,152	-	-	-	-	919,152
Certificates of deposit.....	7,020,671	-	-	-	-	7,020,671
Fixed income securities.....	66,040	-	21,547	44,493	-	-
External investment pools.....	10,008,999	-	-	-	-	10,008,999
Total.....	\$ 18,378,560	\$ 261,106	\$ 21,547	\$ 44,493	\$ 102,592	\$ 17,948,822

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

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

Pension Trust Fund (The System)

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

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

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the System's deposits may not be recovered. The System does not have a policy for custodial credit risk of deposits. As of December 31, 2013, the System was not exposed to custodial credit risk.

Investment Summary

The System's investments at December 31, 2013 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years) Less Than 1</u>
<u>Debt Securities:</u>		
Money market mutual funds.....	\$ 2,120,813	\$ 2,120,813
Mutual bond funds.....	16,393,407	16,393,407
External investment pools.....	<u>18,177,817</u>	<u>18,177,817</u>
Total debt securities.....	<u>36,692,037</u>	<u>\$ 36,692,037</u>
<u>Other Investments:</u>		
Equity mutual funds.....	53,761,213	
Real estate investments.....	1,968,392	
Alternative investments.....	<u>4,714,210</u>	
Total other investments.....	<u>60,443,815</u>	
Total investments.....	<u>\$ 97,135,852</u>	

Investments - Interest Rate Risk of Debt Securities

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

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System does not have a policy for custodial credit risk of investments. As of December 31, 2013, \$1,899,451 of real estate investments within the System's investments of \$97,135,852 was uninsured, not registered in the name of the System and exposed to custodial credit risk due to being held by a counterparty's trust or agent.

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The System does not have a policy for credit risk of debt securities. As of December 31, 2013, the credit quality ratings of the System's debt securities are as follows:

Quality Ratings *	Money Market Mutual Funds	Mutual Bond Funds	External Investment Pools	Total
AAA.....	\$ -	\$ 8,881,665	\$ -	\$ 8,881,665
AA.....	-	735,518	-	735,518
A.....	-	4,062,473	-	4,062,473
BBB.....	-	2,319,083	-	2,319,083
BB.....	-	17,939	-	17,939
Below B.....	-	344,112	-	344,112
Unrated.....	2,120,813	32,617	18,177,817	20,331,247
Total.....	\$ 2,120,813	\$ 16,393,407	\$ 18,177,817	\$ 36,692,037

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

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments – Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or a deposit. The System does not have a policy for foreign currency risk. As of December 31, 2013, the System's exposure to foreign currency risk is as follows:

Investment Type	U.S. Dollar Balances	Currency
Equity mutual funds.....	\$ 5,441,805	Euro
Equity mutual funds.....	3,877,978	British Pound
Equity mutual funds.....	3,696,005	Japanese Yen
Equity mutual funds.....	1,574,159	Swiss Franc
Equity mutual funds.....	1,316,216	Australian Dollar
Equity mutual funds.....	905,770	Chinese Yuan
Equity mutual funds.....	736,766	Korean won
Equity mutual funds.....	572,421	Swedish Krona
Equity mutual funds.....	532,591	New Taiwan Dollar
Equity mutual funds.....	501,752	Hong Kong Dollar
Equity mutual funds.....	488,285	Brazilian Real
Equity mutual funds.....	338,922	South African Rand
Equity mutual funds.....	289,134	Indian Rupee
Equity mutual funds.....	279,085	Russian Ruble
Equity mutual funds.....	259,710	Singapore Dollar
Equity mutual funds.....	246,198	Mexican Peso
Equity mutual funds.....	206,708	Danish Krone
Equity mutual funds.....	175,856	Malaysian Ringgit
Equity mutual funds.....	143,105	Norwegian Krone
Equity mutual funds.....	100,032	Indonesian Rupiah
Equity mutual funds.....	98,205	Thai Baht
Equity mutual funds.....	77,736	Israeli New Sheqel
Equity mutual funds.....	77,651	Polish Zloty
Equity mutual funds.....	71,256	Chilean Peso
Equity mutual funds.....	68,972	Turkish Lira
Equity mutual funds.....	47,504	Colombian Peso
Equity mutual funds.....	39,282	Philippine Peso
Equity mutual funds.....	21,201	New Zealand Dollar
Equity mutual funds.....	19,184	Peruvian Nuevo Sol
Equity mutual funds.....	11,419	Hungarian Forint
Equity mutual funds.....	10,962	Czech Republic Koruna
Equity mutual funds.....	9,135	Egyptian Pound
 Total.....	 \$ <u>22,235,005</u>	

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 ACCOUNTS RECEIVABLE

At June 30, 2014 receivables for the individual major governmental funds and nonmajor governmental and fiduciary funds in the aggregate, including the applicable allowances for uncollectible amounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 896,462	\$ -	\$ 896,462
Real estate tax deferrals.....	696,909	-	696,909
Tax liens.....	620,209	-	620,209
Motor vehicle and other excise taxes.....	493,869	(194,788)	299,081
Special assessments.....	25,445	-	25,445
Departmental and other.....	557,603	(180,047)	377,556
Intergovernmental.....	5,511,057	-	5,511,057
Total.....	\$ 8,801,554	\$ (374,835)	\$ 8,426,719

At June 30, 2014, receivables for the water/sewer enterprise fund consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
User charges.....	\$ 1,841,581	\$ -	\$ 1,841,581
Utility liens.....	49,150	-	49,150
Total.....	\$ 1,890,731	\$ -	\$ 1,890,731

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 2014, \$672,082 of such assistance was received and is reported as revenue in the General Fund major governmental fund's financial statements. Approximately \$4,705,000 will be received in future fiscal years. Of this amount, approximately \$1,678,000 represents reimbursement of long-term interest costs, and approximately \$3,027,000 represents reimbursement of approved construction costs. Accordingly, a \$3,027,241 intergovernmental receivable and corresponding deferred inflow have been reported in the General Fund major governmental fund's financial statements. The unavailable revenue has been recognized as revenue in the conversion to the government-wide financial statements.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 ACCOUNTS RECEIVABLE (CONTINUED)

Vinson-Owen Elementary School

The MSBA provides grants to the Town for the current Vinson-Owen Elementary School construction project. The grant provides resources for allowable costs related to the school construction project. The MSBA has approved a maximum grant totaling approximately \$9,937,000, representing 40% of the total approved construction costs of approximately \$25,000,000. During fiscal year 2014, \$1,146,387 of grant assistance was received and accrued and is reported as revenue in the School Construction major governmental fund's financial statements. As of June 30, 2014, approximately \$27,090,000 has been spent on the project and approximately \$9,530,000 in grants has been received and accrued to date. A \$255,777 intergovernmental receivable has been reported in the School Construction major governmental fund's financial statements for costs incurred but not yet reimbursed as of June 30, 2014.

Winchester High School

The MSBA provides grants to the Town for the Winchester High School construction project. Town Meeting authorized feasibility and construction costs of \$129,923,146, which includes approximately \$31,800,000 of costs that are considered excludable in accordance with MSBA's reimbursement policy. The MSBA approved a maximum grant totaling approximately \$42,100,000 representing 42.92% of the MSBA allowable costs totaling approximately \$98,100,000. During fiscal year 2014, \$1,510,970 of grant assistance was received and accrued and is reported as revenue in the School Construction major governmental fund's financial statements. As of June 30, 2014, approximately \$5,680,000 has been spent on the project and approximately \$1,828,000 in grants has been received and accrued to date. A \$1,409,181 intergovernmental receivable has been reported in the School Construction major governmental fund's financial statements for costs incurred but not yet reimbursed as of June 30, 2014.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance at 6/30/13</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 6/30/14</u>
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 60,081,516	\$ -	\$ -	\$ 60,081,516
Construction in progress.....	<u>28,300,475</u>	<u>4,518,801</u>	<u>(27,288,159)</u>	<u>5,531,117</u>
Total capital assets not being depreciated....	<u>88,381,991</u>	<u>4,518,801</u>	<u>(27,288,159)</u>	<u>65,612,633</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	5,752,488	4,912,898	-	10,665,386
Buildings and improvements.....	111,284,125	26,910,048	-	138,194,173
Machinery and equipment.....	10,648,189	344,370	(580,084)	10,412,475
Vehicles.....	4,619,044	138,457	(88,231)	4,669,270
Infrastructure.....	<u>31,555,930</u>	<u>434,529</u>	<u>(168,925)</u>	<u>31,821,534</u>
Total capital assets being depreciated.....	<u>163,859,776</u>	<u>32,740,302</u>	<u>(837,240)</u>	<u>195,762,838</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(3,430,626)	(192,597)	-	(3,623,223)
Buildings and improvements.....	(38,030,532)	(2,522,916)	-	(40,553,448)
Machinery and equipment.....	(8,736,089)	(353,907)	577,677	(8,512,319)
Vehicles.....	(3,305,610)	(298,711)	80,838	(3,523,483)
Infrastructure.....	<u>(23,480,351)</u>	<u>(843,126)</u>	<u>158,938</u>	<u>(24,164,539)</u>
Total accumulated depreciation.....	<u>(76,983,208)</u>	<u>(4,211,257)</u>	<u>817,453</u>	<u>(80,377,012)</u>
Total capital assets being depreciated, net.....	<u>86,876,568</u>	<u>28,529,045</u>	<u>(19,787)</u>	<u>115,385,826</u>
Total governmental activities capital assets, net.....	<u>\$ 175,258,559</u>	<u>\$ 33,047,846</u>	<u>\$ (27,307,946)</u>	<u>\$ 180,998,459</u>

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 CAPITAL ASSETS (CONTINUED)

Business-Type Activities:	<u>Balance at</u> 6/30/13	<u>Increases</u>	<u>Decreases</u>	<u>Balance at</u> 6/30/14
<i>Water/Sewer:</i>				
<u>Capital assets not being depreciated:</u>				
Construction in progress.....	\$ 1,891,380	\$ 324,460	\$ (1,781,502)	\$ 434,338
<u>Capital assets being depreciated:</u>				
Land improvements.....	1,576,588	103,198	-	1,679,786
Buildings and improvements.....	7,039,219	-	-	7,039,219
Machinery and equipment.....	1,533,182	-	-	1,533,182
Vehicles.....	751,610	86,339	(71,948)	766,001
Infrastructure.....	14,559,446	1,872,042	-	16,431,488
Total capital assets being depreciated.....	<u>25,460,045</u>	<u>2,061,579</u>	<u>(71,948)</u>	<u>27,449,676</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(153,402)	(83,989)	-	(237,391)
Buildings and improvements.....	(2,381,932)	(144,676)	-	(2,526,608)
Machinery and equipment.....	(939,588)	(67,393)	-	(1,006,981)
Vehicles.....	(751,610)	(9,698)	71,948	(689,360)
Infrastructure.....	(4,199,194)	(300,377)	-	(4,499,571)
Total accumulated depreciation.....	<u>(8,425,726)</u>	<u>(606,133)</u>	<u>71,948</u>	<u>(8,959,911)</u>
Total capital assets being depreciated, net.....	<u>17,034,319</u>	<u>1,455,446</u>	<u>-</u>	<u>18,489,765</u>
Total water/sewer capital assets, net.....	<u>18,925,699</u>	<u>1,779,906</u>	<u>(1,781,502)</u>	<u>18,924,103</u>
<i>Recreation:</i>				
<u>Capital assets being depreciated:</u>				
Land improvements.....	364,965	-	-	364,965
Buildings and improvements.....	10,716	-	-	10,716
Total capital assets being depreciated.....	<u>375,681</u>	<u>-</u>	<u>-</u>	<u>375,681</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(336,603)	(12,708)	-	(349,311)
Buildings and improvements.....	(9,233)	(214)	-	(9,447)
Total accumulated depreciation.....	<u>(345,836)</u>	<u>(12,922)</u>	<u>-</u>	<u>(358,758)</u>
Total recreation capital assets, net.....	<u>29,845</u>	<u>(12,922)</u>	<u>-</u>	<u>16,923</u>
Total business-type activities capital assets, net.....	<u>\$ 18,955,544</u>	<u>\$ 1,766,984</u>	<u>\$ (1,781,502)</u>	<u>\$ 18,941,026</u>

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:

General government.....	\$ 209,038
Public safety.....	379,976
Education.....	1,951,487
Public works.....	1,246,980
Health and human services.....	2,522
Culture and recreation.....	<u>421,254</u>

Total depreciation expense - governmental activities..... \$ 4,211,257

Business-Type Activities:

Water/Sewer.....	\$ 606,133
Recreation.....	<u>12,922</u>

Total depreciation expense - business-type activities..... \$ 619,055

NOTE 6 INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2014, are summarized below:

	Transfers In:					
Transfers Out:	General Fund	Nonmajor Governmental Funds	Water/Sewer Enterprise Fund	Recreation Enterprise Fund	Total	
General Fund.....	\$ -	\$ 270,797	\$ 4,063,480	\$ 337,078	\$ 4,671,355	(1)
School Construction Fund.....	354,958	-	-	-	354,958	(2)
Nonmajor Governmental Funds.....	249,498	9,570	-	-	259,068	(3)
Water/Sewer Enterprise Fund.....	796,638	-	-	-	796,638	(4)
Recreation Enterprise Fund.....	<u>97,874</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,874</u>	(4)
Totals.....	<u>\$ 1,498,968</u>	<u>\$ 280,367</u>	<u>\$ 4,063,480</u>	<u>\$ 337,078</u>	<u>\$ 6,179,893</u>	

(1) Represents budgeted transfers to the water/sewer enterprise fund for budgeted subsidy (\$4,063,480), recreation enterprise fund for budgeted subsidy (\$244,324), wage allocation (\$9,191) and deficit funding (\$83,563), and to the athletic revolving fund (\$270,797).

(2) Represents budgeted transfers to close out the Ambrose School project.

(3) Represents budgeted transfers to the general fund (\$242,000), unbudgeted fund close-out transfers (\$7,498) and transfers between nonmajor governmental funds (\$9,570).

(4) Represents transfers for indirect costs related to shared employees.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7 SHORT-TERM FINANCING

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

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

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

Details related to the short-term debt activity for the fiscal year ended June 30, 2014, is as follows:

Governmental Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at 6/30/2013	Increases	Decreases	Balance at 6/30/2014
BAN	Wright/Locke Farm Purchase.....	7/6/12	7/2/13	1.25%	\$ 12,020,000	\$ -	\$ (12,020,000)	\$ -
BAN	School Feasibility Study.....	7/6/12	7/2/13	1.25%	1,300,000	-	(1,300,000)	-
BAN	School Construction.....	4/4/13	7/2/13	0.75%	2,000,000	-	(2,000,000)	-
BAN	Land Acquisition.....	7/2/13	7/2/14	1.25%	-	12,020,000	-	12,020,000
BAN	High School Feasibility Study.....	7/2/13	7/2/14	1.25%	-	1,300,000	(850,000) *	450,000
BAN	School Construction.....	7/2/13	7/2/14	1.25%	-	2,000,000	(1,770,000) *	230,000
BAN	School Construction.....	4/3/14	7/2/14	1.00%	-	4,000,000	-	4,000,000
Total.....					\$ 15,320,000	\$ 19,320,000	\$ (17,940,000)	\$ 16,700,000

Enterprise Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at 6/30/2013	Increases	Decreases	Balance at 6/30/2014
BAN	Drainage Improvements.....	4/4/13	7/2/13	0.75%	\$ 308,000	\$ -	\$ (308,000)	\$ -
BAN	Drainage Improvements.....	7/2/13	7/2/14	1.25%	-	308,000	(308,000) *	-
BAN	Sewer System Repairs.....	4/3/14	7/2/14	1.00%	-	296,300	(296,000) *	300
BAN	Dam Improvement Planning.....	4/3/14	7/2/14	1.00%	-	198,000	(198,000) *	-
Total.....					\$ 308,000	\$ 802,300	\$ (1,110,000)	\$ 300

* See Subsequent Event disclosure below

Subsequent Events

On July 2, 2014, the Town issued \$3,422,000 of general obligation bonds, which were used to retire BANs outstanding at June 30, 2014. Accordingly, \$3,422,000 of BANs have been reclassified to long-term debt at June 30, 2014.

On July 2, 2014, the Town issued BANs totaling \$42,280,715, at an interest rate of 0.50% with a maturity date of July 2, 2015. This issuance renewed BANs outstanding at June 30, 2014 for \$16,280,715 and included new BANs for \$26,000,000 for school construction.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 8 LONG-TERM OBLIGATIONS

The following represents a summary of changes that occurred in long-term obligations during the fiscal year ended June 30, 2014:

	Balance at 6/30/13	Increases	Decreases	Balance at 6/30/14	Current Portion
Governmental Activities:					
Bonds and notes payable.....	\$ 59,649,776	\$ 2,620,000	\$ (5,019,326)	\$ 57,250,450	\$ 4,864,451
Environmental remediation.....	-	4,200,000	-	4,200,000	-
Workers' compensation claims.....	241,001	543,889	(484,663)	300,227	231,898
Net OPEB obligation.....	19,820,541	4,434,359	(2,126,000)	22,128,900	-
Compensated absences.....	1,580,843	9,566	-	1,590,409	159,041
Total.....	<u>\$ 81,292,161</u>	<u>\$ 11,807,814</u>	<u>\$ (7,629,989)</u>	<u>\$ 85,469,986</u>	<u>\$ 5,255,390</u>

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

Business-type Activities:					
Bonds and notes payable.....	\$ 8,563,744	\$ 1,312,785	\$ (1,203,760)	\$ 8,672,769	\$ 1,270,791
Net OPEB obligation.....	710,934	189,582	(90,893)	809,623	-
Compensated absences.....	54,546	1,503	-	56,049	5,605
Total.....	<u>\$ 9,329,224</u>	<u>\$ 1,503,870</u>	<u>\$ (1,294,653)</u>	<u>\$ 9,538,441</u>	<u>\$ 1,276,396</u>

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 LONG-TERM DEBT

Details related to the outstanding indebtedness at June 30, 2014, 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 6/30/13	Issued	Redeemed	Outstanding at 6/30/14
10/25/00	08/01/18	72,121	MWPAT.....	4.96%	\$ 24,037	\$ -	\$ (4,007)	\$ 20,030
12/15/02	07/01/14	1,896,380	Building remodeling refunding.....	3.51%	353,644	-	(178,644)	175,000
07/01/04	07/01/14	7,160,000	Ambrose school.....	4.47%	720,000	-	(360,000)	360,000
07/01/04	07/01/14	4,511,000	Lincoln school.....	4.44%	460,000	-	(230,000)	230,000
07/01/04	07/01/14	1,235,000	Capital improvements.....	4.21%	151,000	-	(78,000)	73,000
07/01/04	07/01/14	250,000	Departmental equipment.....	3.94%	40,000	-	(20,000)	20,000
07/01/04	07/01/14	413,000	Roads.....	4.13%	44,000	-	(22,000)	22,000
07/01/04	07/01/14	350,000	Dam improvements.....	3.92%	10,000	-	(5,000)	5,000
07/01/04	07/01/14	200,000	Cross street culvert.....	4.44%	20,000	-	(10,000)	10,000
07/01/05	07/01/19	765,490	School building remodeling refunding.....	3.82%	508,510	-	(75,300)	433,210
07/01/05	07/01/19	165,260	School engineering refunding.....	3.82%	108,585	-	(16,375)	92,210
07/01/05	07/01/24	3,143,000	School remodeling.....	3.92%	1,995,000	-	(165,000)	1,830,000
07/01/05	07/01/24	375,000	Town building remodeling.....	3.91%	235,000	-	(20,000)	215,000
07/01/05	07/01/19	272,000	Equipment and planning.....	3.51%	35,000	-	(5,000)	30,000
07/01/05	07/01/24	375,000	Drainage - cross street.....	3.90%	235,000	-	(20,000)	215,000
07/01/06	07/01/25	140,000	Building remodeling.....	4.25%	290,000	-	(25,000)	265,000
07/01/06	07/01/25	900,150	School remodeling.....	4.24%	780,000	-	(60,000)	720,000
07/01/06	07/01/24	490,200	Lincoln school.....	4.26%	310,000	-	(30,000)	280,000
07/01/06	07/01/17	57,000	Drainage.....	4.25%	25,000	-	(5,000)	20,000
07/01/06	07/01/25	1,660,000	Ambrose school.....	4.24%	1,120,000	-	(90,000)	1,030,000
07/01/06	07/01/25	412,850	Building remodeling & plans.....	4.25%	195,000	-	(15,000)	180,000
07/01/08	07/01/25	2,968,000	School remodeling.....	4.13%	2,265,000	-	(175,000)	2,090,000
07/01/08	07/01/22	1,100,000	School classrooms.....	4.08%	790,000	-	(80,000)	710,000
07/01/08	07/01/27	562,000	McCall middle school design.....	4.18%	440,000	-	(30,000)	410,000
07/01/08	07/01/27	128,000	Building remodeling and plans.....	4.15%	96,000	-	(8,000)	88,000
07/01/08	07/01/28	6,188,000	McCall middle school addition.....	4.21%	4,940,000	-	(310,000)	4,630,000
07/01/08	07/01/28	1,556,000	Public safety building.....	4.21%	1,229,000	-	(81,000)	1,148,000
07/01/08	07/01/28	2,100,000	Town hall.....	4.20%	1,675,000	-	(106,000)	1,569,000
07/01/08	07/01/28	390,000	Transfer station/landfill use restoration.....	4.25%	310,000	-	(20,000)	290,000
05/01/09	05/01/14	200,000	Feasibility study - V.O. Elementary.....	2.28%	40,000	-	(40,000)	-
05/01/09	05/01/29	1,644,000	Public safety building.....	3.53%	1,300,000	-	(85,000)	1,215,000
05/01/09	05/01/29	1,000,000	DPW complex.....	3.55%	800,000	-	(50,000)	750,000
05/01/09	05/01/14	450,000	Transfer station belt.....	2.28%	90,000	-	(90,000)	-
05/01/09	05/01/24	1,350,000	Manchester field.....	3.24%	990,000	-	(90,000)	900,000
05/01/09	05/01/29	960,000	Fire alams/corridor/ADA.....	3.53%	760,000	-	(50,000)	710,000
08/15/09	08/15/16	206,000	Building remodeling refunding.....	2.71%	116,000	-	(30,000)	86,000
08/15/09	08/15/17	642,000	School project refunding.....	2.76%	377,000	-	(80,000)	297,000
08/15/09	08/15/20	8,667,000	School construction refunding.....	3.23%	7,487,000	-	(990,000)	6,497,000
04/15/10	04/15/25	1,282,000	Muraco School HVAC.....	3.22%	1,020,000	-	(85,000)	935,000
04/15/10	04/15/15	650,000	Fire Trucks.....	2.38%	260,000	-	(130,000)	130,000
04/15/10	04/15/29	220,000	DPW Repairs.....	3.37%	175,000	-	(15,000)	160,000
04/28/11	04/15/36	16,000,000	Vinson-Owen School.....	4.05%	14,720,000	-	(640,000)	14,080,000
04/28/11	04/15/31	970,000	Lynch School roof repairs.....	3.65%	870,000	-	(50,000)	820,000
04/28/11	04/15/26	100,000	Muraco School HVAC.....	3.28%	80,000	-	(10,000)	70,000
04/28/11	04/15/31	3,962,000	Flood mitigation.....	3.68%	3,560,000	-	(200,000)	3,360,000
05/16/12	07/01/24	3,832,150	Ambrose School.....	2.00%	3,753,650	-	(46,500)	3,707,150
05/16/12	07/01/24	2,389,000	Lincoln School I.....	2.00%	2,342,000	-	(30,000)	2,312,000
05/16/12	07/01/24	102,500	Lincoln School II (comp).....	2.00%	100,500	-	(1,500)	99,000
05/16/12	07/01/24	490,500	Capital improvements.....	2.00%	481,000	-	(7,000)	474,000
05/16/12	07/01/24	40,350	Sewer & Dam.....	2.00%	39,350	-	(500)	38,850
05/16/12	07/01/24	53,500	Departmental Equipment II.....	2.00%	52,500	-	(1,000)	51,500
05/16/12	07/01/24	108,500	Sewer.....	2.00%	106,500	-	(1,500)	105,000
05/16/12	07/01/24	148,500	Roads.....	2.00%	144,500	-	(2,000)	142,500
05/16/12	07/01/24	630,000	Flood mitigation - Center Falls Dam.....	2.00%	580,000	-	(50,000)	530,000
07/01/14	07/01/34	1,770,000	Vinson-Owen School.....	3.20%	-	1,770,000	-	1,770,000
07/01/14	07/01/34	850,000	High School feasibility study.....	3.20%	-	850,000	-	850,000
Total governmental funds.....					\$ 59,649,776	\$ 2,620,000	\$ (5,019,326)	\$ 57,250,450

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Bonds and Notes Payable - Governmental Funds (Continued)

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015.....	\$ 4,864,451	\$ 2,219,284	\$ 7,083,735
2016.....	4,678,301	1,812,499	6,490,800
2017.....	4,611,926	1,674,433	6,286,359
2018.....	4,541,206	1,528,400	6,069,606
2019.....	4,409,566	1,365,121	5,774,687
2020.....	4,360,000	1,209,361	5,569,361
2021.....	4,225,000	1,064,184	5,289,184
2022.....	3,285,000	940,223	4,225,223
2023.....	3,260,000	831,340	4,091,340
2024.....	3,120,000	721,983	3,841,983
2025.....	2,970,000	613,725	3,583,725
2026.....	2,105,000	517,789	2,622,789
2027.....	1,740,000	440,577	2,180,577
2028.....	1,730,000	370,763	2,100,763
2029.....	1,660,000	298,447	1,958,447
2030.....	1,020,000	245,026	1,265,026
2031.....	950,000	203,284	1,153,284
2032.....	770,000	164,469	934,469
2033.....	770,000	132,325	902,325
2034.....	770,000	99,303	869,303
2035.....	770,000	66,197	836,197
2036.....	640,000	32,000	672,000
Total.....	\$ <u>57,250,450</u>	\$ <u>16,550,733</u>	\$ <u>73,801,183</u>

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Bonds and Notes Payable – Water/Sewer Enterprise Fund

<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Project</u>	<u>Interest Rate</u>	<u>Outstanding at 6/30/13</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at 6/30/14</u>
12/15/02	07/01/15	3,493,620	Water treatment facility refunding.....	3.50%	\$ 631,356	\$ -	\$ (331,356)	\$ 300,000
07/01/04	07/01/24	3,000,000	Drainage.....	4.44%	300,000	-	(150,000)	150,000
07/01/05	07/01/19	2,515,470	Water mains refunding.....	3.81%	1,662,620	-	(248,625)	1,413,995
07/01/05	07/01/19	448,780	Water mains II refunding.....	3.81%	295,285	-	(44,700)	250,585
08/25/05	08/15/15	555,190	Water (MWRA).....	0.00%	166,557	-	(55,519)	111,038
07/01/06	07/01/26	2,149,000	Drainage.....	4.46%	1,485,000	-	(110,000)	1,375,000
05/01/09	04/15/29	750,000	Phase III drainage.....	3.53%	590,000	-	(40,000)	550,000
04/15/10	04/15/29	1,688,000	Drainage.....	3.43%	1,430,000	-	(85,000)	1,345,000
02/22/10	02/15/15	428,285	Water (MWRA).....	0.00%	171,314	-	(85,657)	85,657
05/16/12	07/01/24	210,000	Sewer pump stations.....	2.00%	190,000	-	(20,000)	170,000
06/11/12	05/15/17	64,515	Sewer (MWRA).....	0.00%	51,612	-	(12,903)	38,709
05/16/12	07/01/24	1,625,000	Drainage refunding.....	2.00%	1,590,000	-	(20,000)	1,570,000
02/24/14	02/15/19	510,785	Sewer (MWRA).....	0.00%	-	510,785	-	510,785
07/01/14	07/01/34	308,000	Drainage.....	3.20%	-	308,000	-	308,000
07/01/14	07/01/34	198,000	Dam improvement planning.....	4.00%	-	198,000	-	198,000
07/01/14	07/01/34	296,000	Sewer system repairs.....	3.19%	-	296,000	-	296,000
Total water/sewer enterprise fund.....					\$ 8,563,744	\$ 1,312,785	\$ (1,203,760)	\$ 8,672,769

The MWRA operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. For each community approved for the project, financial assistance received from the MWRA consists of a grant and non-interest bearing loan (payable in five equal annual installments). At June 30, 2014, the outstanding principal amount of these loans totaled \$746,189.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 LONG-TERM DEBT (CONTINUED)

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015.....	\$ 1,270,791	\$ 318,936	\$ 1,589,727
2016.....	973,284	240,911	1,214,195
2017.....	902,140	213,085	1,115,225
2018.....	869,957	185,538	1,055,495
2019.....	856,597	157,642	1,014,239
2020.....	700,000	131,752	831,752
2021.....	430,000	111,664	541,664
2022.....	425,000	97,600	522,600
2023.....	420,000	83,482	503,482
2024.....	415,000	58,519	473,519
2025.....	410,000	45,519	455,519
2026.....	260,000	34,121	294,121
2027.....	255,000	24,357	279,357
2028.....	155,000	16,660	171,660
2029.....	155,000	10,966	165,966
2030.....	30,000	5,082	35,082
2031.....	30,000	4,182	34,182
2032.....	30,000	3,263	33,263
2033.....	30,000	2,307	32,307
2034.....	30,000	1,333	31,333
2035.....	25,000	422	25,422
Total.....	<u>\$ 8,672,769</u>	<u>\$ 1,747,341</u>	<u>\$ 10,420,110</u>

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Debt Refundings

During prior fiscal years, certain general obligation bonds were defeased by placing the proceeds of bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2014, \$8,145,000 of bonds outstanding from the advance refundings are considered defeased.

Authorized and Unissued Debt

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2014, the Town had the following authorized and unissued debt:

Purpose	Amount
High School Remodeling.....	\$ 128,623,146
Land Acquisition.....	12,020,000
Vinson-Owen School Construction.....	10,400,307
Sewer System Repairs.....	714,215
Drainage.....	308,050
Dam Improvement Planning.....	198,000
Sewer.....	186,120
School Feasibility Study.....	30,715
Total.....	\$ 152,480,553

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 10 OTHER POST EMPLOYMENT BENEFITS

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

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

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

Funding Policy - The contribution requirements of Plan members and the Town are established and may be amended by the Town. The required health insurance contribution rates (including Medicare Part B) of Plan members and the Town vary by health plan and range from 50 - 90% and 10 - 50%, respectively. The Town's most recent actuarial valuation assumed that effective July 1, 2014, the contribution rates would each be 50%, respectively, for all health plans. Subsequent to the actuarial valuation, the Town adopted different contribution rates in which some retirees contribution rates are 30%. The Plan members and Town each contribute 50% towards a \$4,000 term life insurance policy. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

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

	<u>Amount</u>
Annual required contribution.....	\$ 4,487,062
Interest on net OPEB obligation.....	821,276
Adjustment to annual required contribution.....	<u>(684,397)</u>
Annual OPEB cost.....	4,623,941
Contributions made.....	<u>(2,216,893)</u>
Increase in net OPEB obligation.....	2,407,048
Net OPEB obligation at beginning of year.....	<u>20,531,475</u>
Net OPEB obligation at end of year.....	<u><u>\$ 22,938,523</u></u>

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2012.....	\$ 6,934,921	35.5%	\$ 19,220,664
June 30, 2013.....	3,868,116	66.1%	20,531,475
June 30, 2014.....	4,623,941	47.9%	22,938,523

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

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

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

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

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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

Valuation date: June 30, 2013

Actuarial cost method: Projected Unit Credit

Amortization method: Level percentage of projected payroll

Remaining amortization period: 30 years at June 30, 2013 (open amortization period)

Interest discount rate: 4.00%

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

Projected salary increases: 4.00% annually

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

Governmental Activities:

General government.....	\$ 217,325
Public safety.....	693,591
Education.....	3,037,929
Public works.....	328,300
Health and human services.....	41,615
Culture and recreation.....	<u>115,599</u>

Total AOPEBC - governmental activities.....	<u>4,434,359</u>
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Business-Type Activities:

Water/Sewer.....	101,727
Recreation.....	<u>87,855</u>

Total AOPEBC - business-type activities.....	<u>189,582</u>
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Total AOPEBC.....	<u>\$ 4,623,941</u>
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**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 11 ENVIRONMENTAL REMEDIATION

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

The environmental remediation obligation was determined using the expected cash flow technique, which uses all expectations regarding possible cash flows. The obligation is based on what it would cost to perform remediation activities in fiscal year 2014. Actual costs may vary due to inflation, changes in technology, and changes in regulations.

NOTE 12 RISK FINANCING

Property and Liability Insurance

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

Health Insurance

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

Workers' Compensation and Unemployment Insurance

The Town is self-insured for its workers' compensation and unemployment activities. These activities are accounted for in the general fund where expenses are recorded when incurred. Workers' compensation claims are administered by a third party administrator and are funded on a pay-as-you-go basis from annual appropriations. The estimated future liability is based on history and injury type.

The liability at June 30, 2014, totaled \$300,227. Changes in the reported liability since July 1, 2012, are as follows:

	<u>Balance at Beginning of Fiscal Year</u>		<u>Current Year Claims and Changes in Estimate</u>		<u>Claims Payments</u>		<u>Balance at Fiscal Year-end</u>
Fiscal year 2013.....	\$ 200,904	\$	606,769	\$	(566,672)	\$	241,001
Fiscal year 2014.....	241,001		543,889		(484,663)		300,227

The Town's liability for unemployment claims is immaterial at June 30, 2014, and therefore is not reported.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 13 FUND BALANCE

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

	General	School Construction	Wright/Locke Farm Purchase	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ 2,299,720	\$ 2,299,720
Restricted for:					
Debt service.....	154,005	-	-	-	154,005
Other post employment benefits.....	989,421	-	-	-	989,421
Flood mitigation.....	-	-	-	2,500,000	2,500,000
Library endowment.....	-	-	-	1,486,668	1,486,668
Housing funds.....	-	-	-	964,769	964,769
Conservation fund.....	-	-	-	392,410	392,410
Sale of land receipts reserved.....	-	-	-	247,561	247,561
SPEED Circuit Breaker.....	-	-	-	211,370	211,370
School lunch.....	-	-	-	69,298	69,298
Center Falls capital.....	-	-	-	18,876	18,876
Miscellaneous capital.....	-	-	-	3,537	3,537
General government.....	-	-	-	335,143	335,143
Public safety.....	-	-	-	163,886	163,886
Education.....	-	-	-	297,057	297,057
Public works.....	-	-	-	1,088,557	1,088,557
Health and human services.....	-	-	-	227,653	227,653
Culture and recreation.....	-	-	-	710,598	710,598
Sub-total - Restricted.....	<u>1,143,426</u>	<u>-</u>	<u>-</u>	<u>8,717,383</u>	<u>9,860,809</u>
Committed to:					
Subsequent year's expenditures.....	995,265	-	-	-	995,265
Building and capital stabilization.....	5,584,870	-	-	-	5,584,870
Special education stabilization.....	265,870	-	-	-	265,870
Continuing appropriations.....	870,246	-	-	-	870,246
Sub-total - Committed.....	<u>7,716,251</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,716,251</u>
Assigned to:					
Encumbrances.....	507,303	-	-	-	507,303
Unassigned.....	<u>8,864,711</u>	<u>(2,500,865)</u>	<u>(12,020,000)</u>	<u>(190,003)</u>	<u>(5,846,157)</u>
Total.....	<u>\$ 18,231,691</u>	<u>\$ (2,500,865)</u>	<u>\$ (12,020,000)</u>	<u>\$ 10,827,100</u>	<u>\$ 14,537,926</u>

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 14 STABILIZATION FUNDS

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

- Stabilization Fund (general and/or capital purposes)
- Building Renovations/Reconstruction Stabilization Fund (approved by Proposition 2^{1/2} override)
- Capital Improvements Stabilization Fund (approved by Proposition 2^{1/2} override)
- Special Education Stabilization Fund

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

The balance of the general and/or capital purpose, building renovation, capital stabilization and special education stabilization funds at June 30, 2014 total \$4,217,998, \$4,111,143 \$1,473,727, and \$265,870, respectively, and are reported in the general fund as unassigned (\$4,217,998) and committed (\$5,850,740) fund balance.

NOTE 15 PENSION PLAN

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

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

Plan Membership - At December 31, 2013, the System's membership consists of the following:

Active members.....	364
Inactive members.....	123
Retirees and beneficiaries.....	<u>271</u>
 Total.....	 <u><u>758</u></u>

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 15 PENSION PLAN (CONTINUED)

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

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

Annual Pension Cost – The Town’s contributions to the System for the fiscal years ended June 30, 2014, 2013, and 2012 were \$3,806,367, \$3,737,881, and \$3,585,742, respectively, which equaled the respective required contributions. The current and two preceding fiscal years apportionment of the annual pension cost between the two employers required the Town to contribute approximately 99% of the total. At June 30, 2014, the Town did not have a net pension obligation. The required contribution was determined as part of the January 1, 2013, actuarial valuation using the entry age normal actuarial cost method.

Funded Status and Funding Progress – The funded status of the plan at January 1, 2013, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/13	\$ 87,580,900	\$ 113,111,279	\$ 25,530,379	77.4%	\$ 17,971,254	142.1%

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

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

Valuation date: January 1, 2013

Actuarial cost method: Entry age normal

Amortization method: 2.5% increasing

Remaining amortization period: 16 years at January 1, 2013

Asset valuation method: Actuarial value, 5-year smoothing

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 15 PENSION PLAN (CONTINUED)

Actuarial Assumptions

Investment rate of return: 7.75%

Projected salary increases: 4.25%, 4.50% and 4.75% for groups 1, 2 and 4, respectively

Cost of living adjustments: 3.00% per year of the first \$12,000

Interest rate credited to the annuity savings fund: 3.50% per year

Legally Required Reserve Accounts - The balance in the System's legally required reserves as of December 31, 2013, are as follows:

Description	Amount	Purpose
Annuity Savings Fund.....	\$ 20,565,335	Active members' contribution balance
Annuity Reserve Fund.....	4,904,674	Retired members' contribution account
Military Fund.....	6,245	Military leave of absence contribution balance
Pension Reserve Fund.....	68,537,713	Amounts appropriated to fund future retirement
Pension Fund.....	<u>3,204,837</u>	Remaining net assets
Total.....	<u>\$ 97,218,804</u>	

Noncontributory Retirement Allowance – The Town pays the entire retirement allowance for certain retirees who are eligible for noncontributory benefits and are not members of the System. The general fund expenditure for fiscal year 2014 totaled approximately \$30,000.

NOTE 16 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM

Public school teachers and certain administrators are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$8,146,000 for the fiscal year ended June 30, 2014, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 17 COMMITMENTS

Wright/Locke Farm

During fiscal year 2008, the Town completed the \$14,000,000 purchase of Wright/Locke Farm (78 Ridge Street and 82 Ridge Street), which is reported as an Asset Held for Resale in the government-wide financial statements. During fiscal years 2008 through 2011, the Town entered into purchase and sale agreements (including several amendments) to sell Wright/Locke Farm (excluding the historical buildings and raspberry patch located on the property) to a real estate development company (the "Buyer") for \$14,100,000. During fiscal year 2011, the Town terminated the agreements and amendments with the Buyer due to the Buyer's failure to make its required payments. The Buyer made approximately \$1,600,000 of non-refundable payments to the Town.

In fiscal year 2012, the Town issued a Request for Proposals (RFP) for the proposed disposition of a portion of Wright/Locke Farm, and all of the proposals received were rejected. In fiscal year 2013, the Board of Selectmen authorized the formation of a working group to establish criteria for the future development at Wright/Locke Farm. The Town issued an RFP in the fall of 2014 and awaits responses to the bid request in January 2015.

Other

Other significant commitments include the encumbrances and continuing appropriations outstanding for the general fund, which totaled \$1,377,549 at June 30, 2014.

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, 2014, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2014.

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, 2014, 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
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 19 FUTURE IMPLEMENTATION OF GASB PRONOUNCEMENTS

The GASB has issued the following statements:

- Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which is required to be implemented during fiscal year 2015. The implementation of this Statement will represent a significant change in the accounting and reporting of pension expense and the related liability. For the first time, the Town will be required to recognize its long-term obligation for pension benefits as a liability and to more comprehensively measure the annual costs of pension benefits. The implementation of this Statement also expands pension related note disclosures and required supplementary information.
- Statement No. 69, *Government Combinations and Disposals of Government Operations*, which is required to be implemented during fiscal year 2015. Management does not believe the implementation of this Statement will impact the basic financial statements.
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which is required to be implemented during fiscal year 2015. The implementation of this Statement will require the Town, in the transition year of Statement No. 68, to recognize contributions to defined benefit pension plans between the measurement date of the reported net pension liability and the end of the government's reporting period as a deferred outflow of resources.

These pronouncements will be implemented by their respective implementation dates.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real Estate and Personal Property Taxes.....	\$ -	\$ 70,516,105	\$ 786,656	\$ 71,302,761
Motor Vehicle and Other Excise Taxes.....	-	2,865,000	-	2,865,000
Tax Liens.....	-	-	-	-
Payments in Lieu of Taxes.....	-	60,000	-	60,000
Trash Disposal.....	-	1,400,000	-	1,400,000
Intergovernmental.....	-	9,547,693	-	9,547,693
Special Assessments.....	-	32,000	-	32,000
Penalties and Interest on Taxes.....	-	170,000	-	170,000
Licenses and Permits.....	-	1,255,000	-	1,255,000
Fines and Forfeitures.....	-	48,000	-	48,000
Departmental and Other.....	-	1,501,000	-	1,501,000
Investment Income.....	-	70,000	-	70,000
Total Revenues.....	-	87,464,798	786,656	88,251,454
EXPENDITURES				
Current:				
General Government.....	298,909	6,634,898	286,357	7,220,164
Public Safety.....	56,840	8,240,831	56,622	8,354,293
Education.....	599,884	39,233,466	273,014	40,106,364
Public Works.....	796,674	6,658,593	119,456	7,574,723
Health and Human Services.....	958	585,212	70,240	656,410
Culture and Recreation.....	9	1,738,214	59,113	1,797,336
Pension Benefits.....	-	3,838,367	-	3,838,367
Employee Benefits.....	1,393	11,191,000	5,550	11,197,943
Property and Liability Insurance.....	-	323,000	4,000	327,000
Claims and Judgments.....	-	-	100,000	100,000
State and County Charges.....	-	510,850	-	510,850
Debt Service:				
Principal.....	-	5,019,326	-	5,019,326
Interest.....	-	2,246,856	(1,600)	2,245,256
Total Expenditures.....	1,754,667	86,220,613	972,752	88,948,032
EXCESS (DEFICIENCY) OF REVENUES				
OVER EXPENDITURES.....	(1,754,667)	1,244,185	(186,096)	(696,578)
OTHER FINANCING SOURCES (USES)				
Transfers In.....	-	5,262,704	110,000	5,372,704
Premium from Issuance of Bonds and Notes.....	-	-	-	-
Transfers Out.....	-	(8,224,440)	(628,467)	(8,852,907)
Total Other Financing Sources (Uses).....	-	(2,961,736)	(518,467)	(3,480,203)
NET CHANGE IN FUND BALANCE.....	(1,754,667)	(1,717,551)	(704,563)	(4,176,781)
Fund Balance - Beginning of Year.....	7,930,912	7,930,912	7,930,912	7,930,912
FUND BALANCE - END OF YEAR.....	\$ 6,176,245	\$ 6,213,361	\$ 7,226,349	\$ 3,754,131

See Notes to Required Supplementary Information.

Actual	Current Year Encumbrances and Continuing Appropriations	Actual and Encumbrances and Continuing Appropriations	Variance Positive/ (Negative)
\$ 71,342,768	\$ -	\$ 71,342,768	\$ 40,007
3,396,688	-	3,396,688	531,688
127,018	-	127,018	127,018
98,432	-	98,432	38,432
1,411,069	-	1,411,069	11,069
9,974,116	-	9,974,116	426,423
28,660	-	28,660	(3,340)
241,483	-	241,483	71,483
1,397,616	-	1,397,616	142,616
41,705	-	41,705	(6,295)
1,352,729	-	1,352,729	(148,271)
29,838	-	29,838	(40,162)
<u>89,442,122</u>	<u>-</u>	<u>89,442,122</u>	<u>1,190,668</u>
6,486,936	516,852	7,003,788	216,376
8,211,382	16,669	8,228,051	126,242
39,750,512	335,895	40,086,407	19,957
6,901,038	456,363	7,357,401	217,322
635,884	958	636,842	19,568
1,679,774	40,282	1,720,056	77,280
3,836,174	-	3,836,174	2,193
10,669,709	10,530	10,680,239	517,704
326,208	-	326,208	792
100,000	-	100,000	-
512,225	-	512,225	(1,375)
5,019,326	-	5,019,326	-
<u>2,190,068</u>	<u>-</u>	<u>2,190,068</u>	<u>55,188</u>
<u>86,319,236</u>	<u>1,377,549</u>	<u>87,696,785</u>	<u>1,251,247</u>
<u>3,122,886</u>	<u>(1,377,549)</u>	<u>1,745,337</u>	<u>2,441,915</u>
5,380,202	-	5,380,202	7,498
128,402	-	128,402	128,402
<u>(8,852,907)</u>	<u>-</u>	<u>(8,852,907)</u>	<u>-</u>
<u>(3,344,303)</u>	<u>-</u>	<u>(3,344,303)</u>	<u>135,900</u>
(221,417)	(1,377,549)	(1,598,966)	2,577,815
<u>7,930,912</u>	<u>7,930,912</u>	<u>7,930,912</u>	<u>-</u>
<u>\$ 7,709,495</u>	<u>\$ 6,553,363</u>	<u>\$ 6,331,946</u>	<u>\$ 2,577,815</u>

**TOWN OF WINCHESTER, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014**

PENSION PLAN SCHEDULES

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

SCHEDULES OF FUNDING PROGRESS (SYSTEM)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/13	\$ 87,580,900	\$ 113,111,279	\$ 25,530,379	77.4 %	\$ 17,971,254	142.1 %
01/01/11	87,706,904	103,787,043	16,080,139	84.5	17,195,132	93.5
01/01/09	74,020,553	97,377,892	23,357,339	76.0	16,879,293	138.4
01/01/07	73,230,482	89,817,508	16,587,026	81.5	15,863,491	104.6
01/01/05	62,508,562	82,704,690	20,196,128	75.6	14,092,068	143.3
01/01/03	56,841,465	72,026,915	15,185,450	78.9	13,361,418	113.7

SCHEDULE OF EMPLOYER CONTRIBUTIONS (SYSTEM)

Year Ended December 31	Annually Required Contributions (ARC)	Percentage of ARC Contributed
2013	\$ 3,845,592	100 %
2012	3,777,163	100
2011	3,623,792	100
2010	3,515,362	100
2009	3,323,793	100
2008	3,227,543	100

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

TOWN SHARE OF SYSTEM ARC

Fiscal Year Ended	ARC	Percentage of ARC Contributed	Town ARC as a Percentage of System ARC
2014	\$ 3,806,367	100 %	99.0 %
2013	3,737,881	100	99.0
2012	3,585,742	100	98.9
2011	3,478,451	100	99.0
2010	3,291,220	100	99.0
2009	3,185,739	100	98.7

**TOWN OF WINCHESTER, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014**

OTHER POSTEMPLOYMENT BENEFITS SCHEDULES

The following schedules provide information related to the Town's other postemployment benefits plan:

SCHEDULES OF FUNDING PROGRESS

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

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

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

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

NOTE A BUDGETARY-GAAP RECONCILIATION

For budgetary financial reporting purposes, the Uniform Massachusetts Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2014, is presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>	<u>Fund Balance</u>
Budgetary basis as reported on the schedule of revenues, expenditures and changes in fund balance - budget and actual.....	\$ 89,442,122	\$ 87,696,785	\$ (3,344,303)	\$ 6,331,946
<u>Reclassifications</u>				
Activity of stabilization funds recorded in the general fund for GAAP purposes.....	61,235	-	699,941	10,068,737
Activity of OPEB fund recorded in the general fund for GAAP purposes.....	137,546	-	100,000	989,421
Reclassification of employee benefits to enterprise funds.....		(499,623)	(499,623)	-
<u>Adjustments</u>				
Net change in recording 60-day receipts.....	(46,844)	-	-	287,578
Net change in recording tax refunds payable.....	250,550	-	-	(323,218)
To record MTRS on-behalf payments.....	8,146,172	8,146,172	-	-
Net change in recording short-term interest accrual.....	-	32,757	-	(200,095)
Net change in recording workers' compensation payable.....	-	59,226	-	(300,227)
To record encumbrances and continuing appropriations.....	-	(1,377,549)	-	1,377,549
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	<u>\$ 97,990,781</u>	<u>\$ 94,057,768</u>	<u>\$ (3,043,985)</u>	<u>\$ 18,231,691</u>