

TOWN OF WINCHESTER, MASSACHUSETTS
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

**TOWN OF WINCHESTER, MASSACHUSETTS
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YEAR ENDED JUNE 30, 2017**

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INDEPENDENT AUDITORS' REPORT

To the Honorable Board of Selectmen
Town of Winchester, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Winchester, Massachusetts, as of and for the year ended June 30, 2017 (except for the Winchester Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2016), and the related notes to the financial statements, which collectively comprise the Town of Winchester, Massachusetts' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Winchester, Massachusetts, as of June 30, 2017 (except for the Winchester Contributory Retirement System, which is as of and for the fiscal year ended December 31, 2016), 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 73 through 80) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2017 on our consideration of the Town of Winchester, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Winchester, Massachusetts' internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Boston, MA
November 24, 2017

**TOWN OF WINCHESTER, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

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, 2017.

Financial Highlights

- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$164,686,152 (net position).
- The Town's total net position increased \$13,617,550.
- At the end of the fiscal year, unassigned fund balance for the general fund totaled \$12,736,633, or 10.7% of total general fund expenditures and transfers out.
- The Town's total outstanding bonded debt decreased by \$5,358,807 during the fiscal year. The Town issued/recognized new debt of \$621,775, retired \$6,515,671 of existing debt during the fiscal year and had a net addition of \$535,089 of unamortized bond premiums.

Overview of the Basic Financial Statements

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

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

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

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

Government-wide financial statements

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

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

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

**TOWN OF WINCHESTER, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

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

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

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

Fund financial statements

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

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

Governmental funds

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

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

The Town maintains over 300 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, School Construction (capital projects), Wright/Locke Farm Purchase (capital projects), Aberjona Flood Mitigation (capital projects) and Skillings Field Remediation (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.

**TOWN OF WINCHESTER, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

Proprietary funds

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

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

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

Fiduciary funds

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

The fiduciary funds provide separate information for the Town's Pension Trust Fund. Private-Purpose Trust Funds and Agency Funds are reported and combined into a single, aggregate presentation in the fiduciary fund financial statements under the captions "Private Purpose Trust Funds" and "Agency Funds", respectively.

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

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 26-71 of this report.

Required supplementary information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Presented in this information is the General Fund schedule of revenues, expenditures and changes in fund balance (budget and actual) and certain pension and other post employment benefits information, which can be found on pages 73-80.

**TOWN OF WINCHESTER, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

Government-Wide Financial Analysis

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

Net position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's net position was \$164,686,152 at the close of the fiscal year and is summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2017	2016	2017	2016	2017	2016
Assets						
Current assets.....	\$ 45,424,361	\$ 68,595,286	\$ 6,906,277	\$ 5,771,768	\$ 52,330,638	\$ 74,367,054
Noncurrent assets excluding capital assets).....	10,089,572	9,277,373	-	-	10,089,572	9,277,373
Capital assets (net).....	<u>299,406,621</u>	<u>262,124,090</u>	<u>20,867,179</u>	<u>20,743,738</u>	<u>320,273,800</u>	<u>282,867,828</u>
Total assets.....	<u>354,920,554</u>	<u>339,996,749</u>	<u>27,773,456</u>	<u>26,515,506</u>	<u>382,694,010</u>	<u>366,512,255</u>
Deferred outflows of resources.....	<u>9,998,872</u>	<u>13,182,371</u>	<u>357,132</u>	<u>496,189</u>	<u>10,356,004</u>	<u>13,678,560</u>
Liabilities						
Current liabilities (excluding debt).....	6,768,582	13,598,293	286,146	262,817	7,054,728	13,861,110
Noncurrent liabilities (excluding debt).....	62,833,437	60,109,638	2,520,550	2,427,809	65,353,987	62,537,447
Current debt.....	22,064,206	11,256,926	1,083,910	1,053,915	23,148,116	12,310,841
Noncurrent debt.....	<u>123,755,452</u>	<u>130,156,399</u>	<u>7,123,619</u>	<u>7,585,754</u>	<u>130,879,071</u>	<u>137,742,153</u>
Total liabilities.....	<u>215,421,677</u>	<u>215,121,256</u>	<u>11,014,225</u>	<u>11,330,295</u>	<u>226,435,902</u>	<u>226,451,551</u>
Deferred inflows of resources.....	<u>1,861,516</u>	<u>2,573,191</u>	<u>66,444</u>	<u>97,471</u>	<u>1,927,960</u>	<u>2,670,662</u>
Net Position						
Net investment in capital assets.....	168,970,281	154,606,813	14,156,098	13,478,177	183,126,379	168,084,990
Restricted.....	13,723,961	17,258,898	-	-	13,723,961	17,258,898
Unrestricted.....	<u>(35,058,009)</u>	<u>(36,381,038)</u>	<u>2,893,821</u>	<u>2,105,752</u>	<u>(32,164,188)</u>	<u>(34,275,286)</u>
Total net position.....	<u>\$ 147,636,233</u>	<u>\$ 135,484,673</u>	<u>\$ 17,049,919</u>	<u>\$ 15,583,929</u>	<u>\$ 164,686,152</u>	<u>\$ 151,068,602</u>

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

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

Unrestricted net position in the business-type activities of \$2,893,821 may be used to meet the Town's on-going obligations to citizens and creditors for the Town's water/sewer activities. The Town has no unrestricted net position available for the support of governmental activities. Such resources have been consumed with the recognition of net pension and post retirement benefit liabilities.

**TOWN OF WINCHESTER, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

Changes in Net position

For the fiscal year ended June 30, 2017, the Town's total net position increased \$13,617,550, compared to an increase of \$19,499,300 in the prior fiscal year. These amounts are summarized as follows:

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>		<i>Total</i>	
	2017	2016	2017	2016	2017	2016
Revenues						
<i>Program Revenues:</i>						
Charges for services.....	\$ 9,647,422	\$ 9,374,318	\$ 8,378,814	\$ 7,486,004	\$ 18,026,236	\$ 16,860,322
Operating grants and contributions.....	23,538,341	20,115,950	86,658	7,318	23,624,999	20,123,268
Capital grants and contributions.....	8,339,584	21,177,559	-	-	8,339,584	21,177,559
<i>General Revenues:</i>						
Real estate and personal property taxes.....	84,296,065	76,790,018	-	-	84,296,065	76,790,018
Motor vehicle and other excise taxes.....	3,534,746	3,707,557	-	-	3,534,746	3,707,557
Penalties and interest on taxes.....	499,965	273,214	-	-	499,965	273,214
Payments in lieu of taxes.....	102,333	89,647	-	-	102,333	89,647
Grants and contributions not restricted to specific programs.....	1,794,556	1,693,428	-	-	1,794,556	1,693,428
Unrestricted investment income.....	280,690	233,307	-	-	280,690	233,307
Total revenues.....	132,033,702	133,454,998	8,465,472	7,493,322	140,499,174	140,948,320
Expenses						
General government.....	8,164,220	7,895,502	-	-	8,164,220	7,895,502
Public safety.....	14,069,668	13,951,990	-	-	14,069,668	13,951,990
Education.....	76,383,586	69,492,855	-	-	76,383,586	69,492,855
Public works.....	8,528,825	10,774,453	-	-	8,528,825	10,774,453
Health and human services.....	1,524,249	1,541,980	-	-	1,524,249	1,541,980
Culture and recreation.....	2,771,240	2,788,201	-	-	2,771,240	2,788,201
Debt service - interest.....	4,722,296	4,376,396	-	-	4,722,296	4,376,396
Water/Sewer.....	-	-	8,817,259	8,108,174	8,817,259	8,108,174
Recreation.....	-	-	1,900,281	1,769,469	1,900,281	1,769,469
Total expenses.....	116,164,084	110,821,377	10,717,540	9,877,643	126,881,624	120,699,020
Change in net assets before transfers.....	15,869,618	22,633,621	(2,252,068)	(2,384,321)	13,617,550	20,249,300
Transfers, net.....	(3,718,058)	(3,434,354)	3,718,058	3,434,354	-	-
<i>Special Item - Loss on sale of asset held for resale.....</i>	<i>-</i>	<i>(750,000)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(750,000)</i>
Change in net position.....	12,151,560	18,449,267	1,465,990	1,050,033	13,617,550	19,499,300
Net position - beginning of year.....	135,484,673	117,035,406	15,583,929	14,533,896	151,068,602	131,569,302
Net position - end of year.....	\$ 147,636,233	\$ 135,484,673	\$ 17,049,919	\$ 15,583,929	\$ 164,686,152	\$ 151,068,602

Governmental activities increased the Town's net position by \$12,151,560. In the prior year, governmental activities increased the Town's net position by \$18,449,267. The key element of this change is a decrease in capital grants and contributions of approximately \$12,800,000 resulting from less construction activity related to the High School construction project.

Business-type activities increased the Town's net position by \$1,465,990. In the prior year, business-type activities increased the Town's net position by \$1,050,033. This change is partially the result of increases to user rates in the Water/Sewer Enterprise Fund.

**TOWN OF WINCHESTER, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

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 \$31,920,927, a decrease of \$27,546,944 in comparison with the prior year. \$3,472,855 represents unassigned fund balance. The remainder of fund balance includes the following constraints:

- Nonspendable - \$2,484,468
- Restricted - \$15,355,532
- Committed - \$8,447,277
- Assigned - \$2,160,795

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 \$12,736,633, while total fund balance was \$25,900,567. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures and transfers out. Unassigned fund balance represents 10.7% of total General Fund expenditures and transfers out, while total fund balance represents 21.7% of that same amount.

The fund balance of the Town's General Fund decreased \$1,229,099 during fiscal year 2017. The Town recognized a positive budget to actual variance (excluding encumbrances and continuing appropriations) totaling approximately \$7,905,000; and used approximately \$9,433,000 of reserves to fund the fiscal year 2017 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 \$18,822,530 during the current fiscal year. The fund recognized \$7,075,658 of intergovernmental revenues and \$4,871,378 of transfers from other funds from premiums on borrowings. Expenditures totaled \$30,769,566.

The fund balance of the Wright/Locke Farm Purchase capital projects fund (major fund) increased \$400,000 during the current fiscal year resulting from the final payment from the sale of the asset. The fund balance at the end of the year was zero.

The fund balance of the Aberjona Flood Mitigation Fund (capital projects) decreased \$5,367,178 during the current fiscal year resulting from expenditures.

The fund balance of the Skillings Field Remediation Fund (capital projects) decreased \$2,472,901 during the current fiscal year resulting from expenditures.

**TOWN OF WINCHESTER, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

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 \$3,150,956. The Water/Sewer Enterprise Fund had an increase in net position for the year of \$1,473,947. Unrestricted net position of the Recreation Enterprise Fund at the end of the year amounted to a deficit of \$257,135. The Recreation Enterprise Fund had a decrease in net position for the year of \$7,957. 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 \$109,216,454. During the year, supplemental appropriations totaling \$7,629,296 were authorized. The following table summarizes the increase:

Purpose of Increase	Amount	Funding Source
Transfers to High School capital projects fund.....	\$ 4,181,569	Restricted fund balance
Capital articles.....	1,777,810	Unassigned fund balance
Transfers to High School capital projects fund.....	689,809	Premium from issuance of bonds and notes
Various budget supplements.....	340,001	Unassigned fund balance and revenues
Snow and ice.....	264,307	Unassigned fund balance
Reserve fund.....	195,800	Unassigned fund balance
Workers compensation.....	<u>180,000</u>	Unassigned fund balance
Total increase.....	<u>\$ 7,629,296</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 \$3,680,358. Encumbrances and continuing appropriations total \$4,225,637 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 \$320,273,800 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, machinery and equipment, vehicles and infrastructure. The total net increase in the investment in capital assets for the current fiscal year was \$37,405,902.

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

- High School construction in progress (approximately \$30,700,000)
- Aberjona flood mitigation construction in progress (approximately \$5,300,000)
- Water/Sewer infrastructure construction in progress (approximately \$1,630,000)

**TOWN OF WINCHESTER, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

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>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land.....	\$ 64,731,516	\$ 64,731,516	\$ -	\$ -	\$ 64,731,516	\$ 64,731,516
Land improvements.....	6,354,858	6,488,149	1,197,287	1,279,290	7,552,145	7,767,439
Buildings and improvements.....	90,066,764	92,714,868	4,363,345	4,514,206	94,430,109	97,229,074
Machinery and equipment.....	1,715,544	1,648,279	399,650	445,724	2,115,194	2,094,003
Vehicles.....	985,919	1,199,718	173,900	46,571	1,159,819	1,246,289
Infrastructure.....	8,521,662	8,427,561	12,731,962	11,629,598	21,253,624	20,057,159
Construction in progress.....	<u>127,030,358</u>	<u>86,913,999</u>	<u>2,001,035</u>	<u>2,828,349</u>	<u>129,031,393</u>	<u>89,742,348</u>
Total capital assets.....	\$ <u>299,406,621</u>	\$ <u>262,124,090</u>	\$ <u>20,867,179</u>	\$ <u>20,743,738</u>	\$ <u>320,273,800</u>	\$ <u>282,867,828</u>

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

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$138,899,187, 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>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
General obligation bonds...	\$ 130,683,646	\$ 135,606,307	\$ 6,847,240	\$ 7,719,320	\$ 137,530,886	\$ 143,325,627
MWRA notes.....	-	-	1,360,289	920,349	1,360,289	920,349
MCWT notes.....	<u>8,012</u>	<u>12,018</u>	-	-	<u>8,012</u>	<u>12,018</u>
Total bonds and notes.....	\$ <u>130,691,658</u>	\$ <u>135,618,325</u>	\$ <u>8,207,529</u>	\$ <u>8,639,669</u>	\$ <u>138,899,187</u>	\$ <u>144,257,994</u>

The Town's total outstanding bonded debt decreased by \$5,358,807 during the fiscal year. The Town issued/recognized new debt of \$621,775, retired \$6,515,671 of existing debt during the fiscal year and had a net addition of \$535,089 of unamortized bond premiums.

The Town's most recent bond ratings from Moody's Investors Services and Standard and Poor's were Aaa.

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

Economic Factors and Next Year's Budgets and Rates

The Annual Spring Town Meeting held this past spring approved the fiscal year 2018 Operating Budget of approximately \$120,759,000 which includes the appropriations of the General Fund, appropriations to the Special Article Fund, Building Stabilization Fund, Capital Stabilization Fund, Other Funds and the appropriation to and for the Water/Sewer and Recreation Enterprise Funds. Also included in the total appropriations is a transfer from the General Fund to the OPEB Trust Fund in the amount of \$250,000, bringing the OPEB Trust Fund balance to approximately \$2,737,000.

**TOWN OF WINCHESTER, MASSACHUSETTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

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 2018, the revenue collected from taxes, including debt exclusions, will amount to approximately \$88,255,000.

Total fiscal year 2017 General Fund budgetary basis revenue and other financing sources (transfers in and premiums from issuance of bonds) was \$111,498,979. Property taxes accounted for 75.5%, Motor Vehicle Excise 3.3% and Intergovernmental 9.4% of total General Fund revenue and other financing sources. In fiscal year 2018, State revenue is expected to increase compared to fiscal year 2017. General Fund State reimbursements related to School construction will be \$672,082.

Total fiscal year 2017 General Fund budgetary basis expenditures (including encumbrances and continued appropriations) and transfers to other funds amount to \$117,251,890.

The Town continues to have substantial balances in its Stabilization Funds. The balances at June 30, 2017 in these funds are as follows:

- General Stabilization Fund - \$4,290,689
- Building Stabilization Fund - \$3,263,161
- Capital Stabilization Fund - \$1,279,839
- Special Education Stabilization Fund - \$305,435

Requests for Information

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

**TOWN OF WINCHESTER, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2017**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 19,882,000	\$ 3,336,455	\$ 23,218,455
Restricted Cash and Cash Equivalents	17,040,203	1,496,448	18,536,651
Investments	4,536,035	-	4,536,035
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate and Personal Property Taxes	732,150	-	732,150
Tax and Utility Liens	706,997	23,080	730,077
Motor Vehicle and Other Excise Taxes	188,904	-	188,904
User Charges	-	2,050,294	2,050,294
Special Assessments	4	-	4
Department and Other	391,721	-	391,721
Intergovernmental	1,946,347	-	1,946,347
Total Current Assets	45,424,361	6,906,277	52,330,638
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	2,915,821	-	2,915,821
Restricted Investments	5,136,890	-	5,136,890
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate Tax Deferrals	725,869	-	725,869
Intergovernmental	1,297,389	-	1,297,389
Tax Foreclosures	13,603	-	13,603
Capital Assets not being Depreciated	191,761,874	2,001,035	193,762,909
Capital Assets, Net of Accumulated Depreciation	107,644,747	18,866,144	126,510,891
Total Noncurrent Assets	309,496,193	20,867,179	330,363,372
Total Assets	354,920,554	27,773,456	382,694,010
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	9,998,872	357,132	10,356,004
LIABILITIES			
Current Liabilities:			
Warrants Payable	3,216,739	119,687	3,336,426
Accrued Payroll	429,846	54,975	484,821
Tax Refunds Payable	160,000	-	160,000
Other Liabilities	274,083	-	274,083
Accrued Interest	2,294,786	104,792	2,399,578
Workers' Compensation Claims	186,941	-	186,941
Environmental Remediation	46,758	-	46,758
Compensated Absences	159,429	6,692	166,121
Short-Term Notes Payable	15,128,000	-	15,128,000
Long-Term Bonds and Notes Payable	6,936,206	1,083,910	8,020,116
Total Current Liabilities	28,832,788	1,370,056	30,202,844
Noncurrent Liabilities:			
Workers' Compensation Claims	62,314	-	62,314
Compensated Absences	1,434,861	60,234	1,495,095
Net Pension Liability	29,784,923	1,190,276	30,975,199
Net OPEB Obligation	31,551,339	1,270,040	32,821,379
Long-Term Bonds and Notes Payable	123,755,452	7,123,619	130,879,071
Total Noncurrent Liabilities	186,588,889	9,644,169	196,233,058
Total Liabilities	215,421,677	11,014,225	226,435,902
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	1,861,516	66,444	1,927,960
NET POSITION			
Net Investment in Capital Assets	168,970,281	14,156,098	183,126,379
Restricted for:			
Other Postemployment Benefits	2,486,586	-	2,486,586
Debt Service	69,276	-	69,276
Permanent Funds:			
Expendable	3,342,372	-	3,342,372
Nonexpendable	2,484,468	-	2,484,468
Other Specific Purposes	5,341,259	-	5,341,259
Unrestricted	(35,058,009)	2,893,821	(32,164,188)
Total Net Position	\$ 147,636,233	\$ 17,049,919	\$ 164,686,152

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 8,164,220	\$ 684,102	\$ 358,348	\$ 10,000	\$ (7,111,770)
Public Safety	14,069,668	3,624,367	98,118	-	(10,347,183)
Education	76,383,586	3,138,766	21,976,040	7,075,658	(44,193,122)
Public Works	8,528,825	1,895,082	469,841	1,253,926	(4,909,976)
Health and Human Services	1,524,249	232,923	60,608	-	(1,230,718)
Culture and Recreation	2,771,240	72,182	335,767	-	(2,363,291)
Debt Service-Interest	4,722,296	-	239,619	-	(4,482,677)
Total Governmental Activities	<u>116,164,084</u>	<u>9,647,422</u>	<u>23,538,341</u>	<u>8,339,584</u>	<u>(74,638,737)</u>
Business-Type Activities:					
Water/Sewer	8,817,259	6,557,652	85,040	-	(2,174,567)
Recreation	1,900,281	1,821,162	1,618	-	(77,501)
Total Business-Type Activities	<u>10,717,540</u>	<u>8,378,814</u>	<u>86,658</u>	<u>-</u>	<u>(2,252,068)</u>
Total Primary Government	<u>\$ 126,881,624</u>	<u>\$ 18,026,236</u>	<u>\$ 23,624,999</u>	<u>\$ 8,339,584</u>	<u>\$ (76,890,805)</u>

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2017**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
CHANGES IN NET POSITION			
Net (Expense) Revenue (From Previous Page)	\$ (74,638,737)	\$ (2,252,068)	\$ (76,890,805)
General Revenues:			
Real Estate and Personal Property Taxes	84,296,065	-	84,296,065
Motor Vehicle and Other Excise Taxes	3,534,746	-	3,534,746
Penalties and Interest on Taxes	499,965	-	499,965
Payments in Lieu of Taxes	102,333	-	102,333
Grants and Contributions not Restricted to Specific Programs	1,794,556	-	1,794,556
Unrestricted Investment Income	280,690	-	280,690
Transfers, Net	<u>(3,718,058)</u>	<u>3,718,058</u>	<u>-</u>
Total General Revenues and Transfers	86,790,297	3,718,058	90,508,355
CHANGE IN NET POSITION	12,151,560	1,465,990	13,617,550
Net Position - Beginning of Year	<u>135,484,673</u>	<u>15,583,929</u>	<u>151,068,602</u>
NET POSITION - END OF YEAR	<u>\$ 147,636,233</u>	<u>\$ 17,049,919</u>	<u>\$ 164,686,152</u>

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS
GOVERNMENT FUNDS
BALANCE SHEET
JUNE 30, 2017**

ASSETS	<u>General</u>	<u>School Construction</u>	<u>Wright/Locke Farm Purchase</u>
Cash and Cash Equivalents	\$ 19,882,000	\$ -	\$ -
Investments	4,536,035	-	-
Receivables, Net of Allowance for Uncollectible Amounts:			
Real Estate and Personal Property Taxes	732,150	-	-
Real Estate Tax Deferrals	725,869	-	-
Tax Liens	706,997	-	-
Motor Vehicle and Other Excise Taxes	188,904	-	-
Special Assessments	4	-	-
Departmental and Other	268,545	-	-
Intergovernmental	1,729,852	818,262	-
Tax Foreclosures	13,603	-	-
Restricted Assets:			
Cash and Cash Equivalents	2,486,586	10,954,489	400,000
Investments	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 31,270,545</u>	<u>\$ 11,772,751</u>	<u>\$ 400,000</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Warrants Payable	\$ 476,248	\$ 2,577,339	\$ -
Accrued Payroll	415,839	308	-
Tax Refunds Payable	160,000	-	-
Other Liabilities	56,730	-	-
Accrued Short-Term Interest	51,125	-	-
Workers' Compensation Claims	249,255	-	-
Short-Term Notes Payable	-	5,028,000	400,000
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>1,409,197</u>	<u>7,605,647</u>	<u>400,000</u>
 DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	<u>3,960,781</u>	<u>-</u>	<u>-</u>
 FUND BALANCES			
Nonspendable	-	-	-
Restricted	2,555,862	4,167,104	-
Committed	8,447,277	-	-
Assigned	2,160,795	-	-
Unassigned	<u>12,736,633</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>25,900,567</u>	<u>4,167,104</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 31,270,545</u>	<u>\$ 11,772,751</u>	<u>\$ 400,000</u>

See accompanying Notes to Financial Statements.

<u>Aberjona Flood Mitigation</u>	<u>Skillings Field Remediation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 19,882,000
-	-	-	4,536,035
-	-	-	732,150
-	-	-	725,869
-	-	-	706,997
-	-	-	188,904
-	-	-	4
-	-	123,176	391,721
-	-	695,622	3,243,736
-	-	-	13,603
101,232	493,651	5,520,066	19,956,024
<u>-</u>	<u>-</u>	<u>5,136,890</u>	<u>5,136,890</u>
\$ <u>101,232</u>	\$ <u>493,651</u>	\$ <u>11,475,754</u>	\$ <u>55,513,933</u>
\$ -	\$ 2,455	\$ 160,697	\$ 3,216,739
-	-	13,699	429,846
-	-	-	160,000
-	-	217,353	274,083
-	-	-	51,125
-	-	-	249,255
<u>5,700,000</u>	<u>4,000,000</u>	<u>-</u>	<u>15,128,000</u>
<u>5,700,000</u>	<u>4,002,455</u>	<u>391,749</u>	<u>19,509,048</u>
<u>-</u>	<u>-</u>	<u>123,177</u>	<u>4,083,958</u>
-	-	2,484,468	2,484,468
-	-	8,632,566	15,355,532
-	-	-	8,447,277
-	-	-	2,160,795
<u>(5,598,768)</u>	<u>(3,508,804)</u>	<u>(156,206)</u>	<u>3,472,855</u>
<u>(5,598,768)</u>	<u>(3,508,804)</u>	<u>10,960,828</u>	<u>31,920,927</u>
\$ <u>101,232</u>	\$ <u>493,651</u>	\$ <u>11,475,754</u>	\$ <u>55,513,933</u>

**TOWN OF WINCHESTER, MASSACHUSETTS
GOVERNMENT FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	General	School Construction	Wright/Locke Farm Purchase
REVENUES			
Real Estate and Personal Property Taxes	\$ 84,296,540	\$ -	\$ -
Motor Vehicle and Other Excise Taxes	3,726,277	-	-
Tax Liens	332,942	-	-
Payments in Lieu of Taxes	102,333	-	-
Charges for Services	-	-	-
Trash Disposal	1,388,602	-	-
Intergovernmental	21,967,825	7,075,658	-
Special Assessments	1,675	-	-
Penalties and Interest on Taxes	499,965	-	-
Licenses and Permits	1,697,753	-	-
Fines and Forfeitures	34,866	-	-
Departmental and Other	1,585,298	-	-
Contributions	-	-	-
Investment Income	577,701	-	-
	<u>116,211,777</u>	<u>7,075,658</u>	<u>-</u>
Total Revenues			
EXPENDITURES			
Current:			
General Government	6,999,499	-	-
Public Safety	9,153,077	-	-
Education	56,368,308	30,769,566	-
Public Works	7,655,093	-	-
Health and Human Services	641,854	-	-
Culture and Recreation	1,823,235	-	-
Pension Benefits	4,095,832	-	-
Employee Benefits	10,269,554	-	-
Property and Liability Insurance	346,829	-	-
State and County Charges	562,562	-	-
Debt Service:			
Principal	5,461,756	-	-
Interest	5,823,695	-	-
	<u>109,201,294</u>	<u>30,769,566</u>	<u>-</u>
Total Expenditures			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>7,010,483</u>	<u>(23,693,908)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Premium from Issuance of Bonds and Notes	691,033	-	-
Sale of Assets Held for Resale	-	-	400,000
Transfers In	1,266,364	4,871,378	-
Transfer Out	(10,196,979)	-	-
	<u>(8,239,582)</u>	<u>4,871,378</u>	<u>400,000</u>
Total Other Financing Sources (Uses)			
NET CHANGE IN FUND BALANCES	(1,229,099)	(18,822,530)	400,000
Fund Balances - Beginning of Year	<u>27,129,666</u>	<u>22,989,634</u>	<u>(400,000)</u>
FUND BALANCES - END OF YEAR	<u>\$ 25,900,567</u>	<u>\$ 4,167,104</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

<u>Aberjona Flood Mitigation</u>	<u>Skillings Field Remediation</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 84,296,540
-	-	-	3,726,277
-	-	-	332,942
-	-	-	102,333
-	-	2,439,548	2,439,548
-	-	-	1,388,602
-	-	3,733,118	32,776,601
-	-	-	1,675
-	-	-	499,965
-	-	271,256	1,969,009
-	-	-	34,866
-	-	1,946,447	3,531,745
-	-	739,659	739,659
-	-	609,310	1,187,011
<u>-</u>	<u>-</u>	<u>9,739,338</u>	<u>133,026,773</u>
5,367,178	2,472,901	134,331	14,973,909
-	-	1,049,582	10,202,659
-	-	6,433,257	93,571,131
-	-	2,231,890	9,886,983
-	-	167,480	809,334
-	-	119,213	1,942,448
-	-	-	4,095,832
-	-	-	10,269,554
-	-	-	346,829
-	-	-	562,562
-	-	-	5,461,756
-	-	-	5,823,695
<u>5,367,178</u>	<u>2,472,901</u>	<u>10,135,753</u>	<u>157,946,692</u>
<u>(5,367,178)</u>	<u>(2,472,901)</u>	<u>(396,415)</u>	<u>(24,919,919)</u>
-	-	-	691,033
-	-	-	400,000
-	-	619,598	6,757,340
-	-	(278,419)	(10,475,398)
<u>-</u>	<u>-</u>	<u>341,179</u>	<u>(2,627,025)</u>
(5,367,178)	(2,472,901)	(55,236)	(27,546,944)
<u>(231,590)</u>	<u>(1,035,903)</u>	<u>11,016,064</u>	<u>59,467,871</u>
\$ <u>(5,598,768)</u>	\$ <u>(3,508,804)</u>	\$ <u>10,960,828</u>	\$ <u>31,920,927</u>

**TOWN OF WINCHESTER, MASSACHUSETTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TOTAL FUND
BALANCES TO THE STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2017**

Total Governmental Fund Balances	\$	31,920,927
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		299,406,621
Other assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds		4,083,958
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due		(2,243,661)
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		(130,691,658)
Environmental Remediation		(46,758)
Compensated Absences		(1,594,290)
Net Pension Liability		(29,784,923)
Net OPEB Obligation		(31,551,339)
In the statement of net position, deferred outflows of resources are reported for amounts related to pensions		9,998,872
In the statement of net position, deferred inflows of resources are reported for amounts related to pensions		<u>(1,861,516)</u>
Net Position of Governmental Activities	\$	<u><u>147,636,233</u></u>

See accompanying Notes to Financial Statements.

TOWN OF WINCHESTER, MASSACHUSETTS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

Net Change in Fund Balances - Total Governmental Funds \$ (27,546,944)

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	42,211,500
Depreciation	(4,928,969)

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

(1,393,066)

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

Unamortized Premiums from Issuance of Bonds	(535,089)
Bond Maturities	5,461,756

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

945,455

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

These amounts represent the net changes:

Environmental Remediation	3,117,339
Compensated Absences	(85,381)
Net Pension Liability	685,253
Net OPEB Obligation	(3,307,110)

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

(3,183,499)

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

710,315

Changes in Net Position of Governmental Activities \$ 12,151,560

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 JUNE 30, 2017**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water/ Sewer</u>	<u>Recreation (Nonmajor)</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 2,836,320	\$ 500,135	\$ 3,336,455
Restricted Cash and Cash Equivalents	1,496,448	-	1,496,448
Receivables, Net of Allowance for Uncollectible Amount:			
Utility Liens	23,080	-	23,080
User Charges	2,050,294	-	2,050,294
	<u>6,406,142</u>	<u>500,135</u>	<u>6,906,277</u>
Total Current Assets			
Noncurrent Assets:			
Capital Assets not being Depreciated	2,001,035	-	2,001,035
Capital Assets, Net of Accumulated Depreciation	18,845,300	20,844	18,866,144
	<u>20,846,335</u>	<u>20,844</u>	<u>20,867,179</u>
Total Noncurrent Assets			
	<u>27,252,477</u>	<u>520,979</u>	<u>27,773,456</u>
Total Assets			
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	222,986	134,146	357,132
	<u>222,986</u>	<u>134,146</u>	<u>357,132</u>
LIABILITIES			
Current Liabilities:			
Warrants Payable	87,533	32,154	119,687
Accrued Payroll	23,019	31,956	54,975
Accrued Interest	104,792	-	104,792
Compensated Absences	6,692	-	6,692
Long-Term Bonds and Notes Payable	1,083,910	-	1,083,910
	<u>1,305,946</u>	<u>64,110</u>	<u>1,370,056</u>
Total Current Liabilities			
Noncurrent Liabilities:			
Compensated Absences	60,234	-	60,234
Net Pension Liability	775,365	414,911	1,190,276
Net OPEB Obligation	882,228	387,812	1,270,040
Long-Term Bonds and Notes Payable	7,123,619	-	7,123,619
	<u>8,841,446</u>	<u>802,723</u>	<u>9,644,169</u>
Total Noncurrent Liabilities			
	<u>10,147,392</u>	<u>866,833</u>	<u>11,014,225</u>
Total Liabilities			
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	41,861	24,583	66,444
	<u>41,861</u>	<u>24,583</u>	<u>66,444</u>
FUND NET POSITION			
Net Investment in Capital Assets	14,135,254	20,844	14,156,098
Unrestricted	3,150,956	(257,135)	2,893,821
	<u>17,286,210</u>	<u>(236,291)</u>	<u>17,049,919</u>
Total Net Position	\$	\$	\$

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 JUNE 30, 2017**

	Business-Type Activities - Enterprise Funds		
	Water/ Sewer	Recreation (Nonmajor)	Total
OPERATING REVENUES			
Charges for Services	\$ 6,528,295	\$ 1,821,161	\$ 8,349,456
Penalties and Interest	29,357	-	29,357
Total Operating Revenues	<u>6,557,652</u>	<u>1,821,161</u>	<u>8,378,813</u>
OPERATING EXPENSES			
Cost of Service and Administration	2,302,722	1,899,668	4,202,390
MWRA Assessment	5,578,119	-	5,578,119
Depreciation	688,945	612	689,557
Total Operating Expenses	<u>8,569,786</u>	<u>1,900,280</u>	<u>10,470,066</u>
OPERATING INCOME (LOSS)	<u>(2,012,134)</u>	<u>(79,119)</u>	<u>(2,091,253)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment Income	19,715	1,618	21,333
Interest Expense	(247,473)	-	(247,473)
Total Nonoperating Revenues (Expenses), Net	<u>(227,758)</u>	<u>1,618</u>	<u>(226,140)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(2,239,892)</u>	<u>(77,501)</u>	<u>(2,317,393)</u>
Capital Contributions	65,325	-	65,325
Transfers In	4,511,555	194,448	4,706,003
Transfers Out	(863,041)	(124,904)	(987,945)
Total Transfers	<u>3,713,839</u>	<u>69,544</u>	<u>3,783,383</u>
CHANGE IN FUND NET POSITION	1,473,947	(7,957)	1,465,990
Fund Net Position - Beginning of Year	<u>15,812,263</u>	<u>(228,334)</u>	<u>15,583,929</u>
FUND NET POSITION - END OF YEAR	<u>\$ 17,286,210</u>	<u>\$ (236,291)</u>	<u>\$ 17,049,919</u>

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2017**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water/ Sewer</u>	<u>Recreation (Nonmajor)</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 6,525,512	\$ 1,821,161	\$ 8,346,673
Payments to Vendors	(6,544,948)	(700,314)	(7,245,262)
Payments to Employees	(1,170,626)	(1,089,602)	(2,260,228)
Net Cash Provided/(Used) by Operating Activities	<u>(1,190,062)</u>	<u>31,245</u>	<u>(1,158,817)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers In	4,511,555	194,448	4,706,003
Transfers Out	(863,041)	(124,904)	(987,945)
Net Cash Provided by Noncapital Financing Activities	<u>3,648,514</u>	<u>69,544</u>	<u>3,718,058</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from the Issuance of Bonds and Notes	621,775	-	621,775
Capital Contributions (MWRA Grant)	65,325	-	65,325
Acquisition and Construction of Capital Assets	(796,158)	(16,840)	(812,998)
Principal Payments on Bonds and Notes	(1,053,915)	-	(1,053,915)
Interest Paid	(298,392)	-	(298,392)
Net Cash Used by Capital and Related Financing Activities	<u>(1,461,365)</u>	<u>(16,840)</u>	<u>(1,478,205)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income	19,715	1,618	21,333
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,016,802	85,567	1,102,369
Cash and Cash Equivalents at Beginning of Year (includes \$1,484,093 reported as restricted in Water/Sewer)	<u>3,315,966</u>	<u>414,568</u>	<u>3,730,534</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR (includes \$1,496,448 reported as restricted in Water/Sewer)	<u>\$ 4,332,768</u>	<u>\$ 500,135</u>	<u>\$ 4,832,903</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (2,012,134)	\$ (79,119)	\$ (2,091,253)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Changes in Assets and Liabilities not Requiring Current Cash Flows:			
Depreciation	688,945	612	689,557
Net Pension Liability and Deferred Outflows/Inflows	47,775	30,325	78,100
Net OPEB Obligation	51,766	65,225	116,991
Effect of Changes in Operating Assets and Liabilities:			
Utility Liens	12,885	-	12,885
User Charges	(45,025)	-	(45,025)
Warrants Payable	53,584	13,134	66,718
Accrued Payroll	5,831	1,068	6,899
Compensated Absences	6,311	-	6,311
Total Adjustments	<u>822,072</u>	<u>110,364</u>	<u>932,436</u>
Net Cash Provided by Operating Activities	<u>\$ (1,190,062)</u>	<u>\$ 31,245</u>	<u>\$ (1,158,817)</u>

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017**

	Pension Trust Fund (As of 12/31/16)	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ 3,342,960	\$ 72,122	\$ 1,170,251
Investments:	-	-	-
Equities	59,503,771	556,635	-
U.S. Treasury and Agencies	-	51,740	-
Fixed Income Mutual Funds	17,640,024	88,736	-
Real Estate	6,009,382	-	-
Alternative	5,096,163	-	-
External Investment Pool	16,437,999	-	-
Interest and Dividends	1,616	-	-
Receivables, Net of Allowance for Uncollectible Amounts:			
Departmental and Other	3,581	-	-
 Total Assets	 108,035,496	 769,233	 1,170,251
LIABILITIES			
Warrants Payable	35,850	-	-
Other Liabilities	-	-	1,040,882
Liabilities Due Depositors	-	-	129,369
 Total Liabilities	 35,850	 -	 \$ 1,170,251
NET POSITION			
Net Position Restricted for Pension and Other Purposes	\$ 107,999,646	\$ 769,233	

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2017**

	Pension Trust Fund <u>(As of 12/31/16)</u>	Private Purpose Trust Funds
ADDITIONS		
Contributions:		
Employer	\$ 4,299,134	\$ -
Plan Members	<u>2,177,000</u>	<u>-</u>
Total Contributions	<u>6,476,134</u>	<u>-</u>
Net Investment Income:		
Net Appreciation/(Depreciation) in Fair Value of Investments	6,359,964	66,730
Interest	<u>903,302</u>	<u>17,788</u>
Total Investment Income	7,263,266	84,518
Less: Investment Expense	<u>(274,266)</u>	<u>-</u>
Net Investment Income	<u>6,989,000</u>	<u>84,518</u>
Other	<u>449,922</u>	<u>-</u>
Total Additions	<u>13,915,056</u>	<u>84,518</u>
DEDUCTIONS		
Administration	122,000	-
Retirement Benefits and Refunds	7,419,000	-
Transfers to Other Systems	411,675	-
Scholarships Awarded	<u>-</u>	<u>14,326</u>
Total Deductions	<u>7,952,675</u>	<u>14,326</u>
CHANGE IN NET POSITION	5,962,381	70,192
Net Position - Beginning of Year	<u>102,037,265</u>	<u>699,041</u>
NET POSITION - END OF YEAR	<u>\$ 107,999,646</u>	<u>\$ 769,233</u>

See accompanying Notes to Financial Statements.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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, 2017**

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 2017 assessment totaled approximately \$201,000. Separate financial statements may be obtained by writing to the Treasurer of the District at 100 Hemlock Road, Wakefield, Massachusetts 01880.

C. Implementation of New Accounting Principles

For the year ended June 30, 2017, the Town implemented the following pronouncements issued by the GASB:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- GASB Statement No. 77, *Tax Abatement Disclosures*
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*
- GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*
- GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*

The implementation of these GASB Statements had no reporting impact for the Town.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

Fiduciary funds are reported by fund type.

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

Government-Wide Financial Statements

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

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

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

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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 that were used to purchase and subsequently sell the Wright/Locke Farm property.

The *Aberjona Flood Mitigation Fund* is a capital projects fund used to account for financial resources to mitigate flooding issues.

TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Financial Statements (Continued)

The *Skillings Field Remediation Fund* is a capital projects fund used to account for financial resources for an environmental remediation project at Skillings Field.

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, 2017**

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, 2017**

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, 2017**

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, 2017**

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 acquisition 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, 2017**

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, 2017**

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.

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

O. Deferred Inflows of Resources

Government-Wide and Fund Financial Statements

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

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

- Taxes received in advance are reported in the government-wide statement of net position and the governmental funds balance sheet. Taxes received in advance represent amounts collected in the current fiscal year that apply to the subsequent fiscal year's tax levy.
- Unavailable revenue is reported in the governmental funds balance sheet. Unavailable revenue represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting.
- Related to pensions are reported in the government-wide statement of net position. They represent deferred inflows of resources as defined and identified in GASB Statement No. 68.

P. Net Position and Fund Balances

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

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

Net position has been "restricted" for the following:

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

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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)

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

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

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

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

Governmental Funds Financial Statements (Fund Balances)

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

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

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

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

Assigned — represents amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes. Under the Town's structure, only authorized assignments for 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.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Net Position and Fund Balances (Continued)

Governmental Funds Financial Statements (Fund Balances) (Continued)

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

The Town adopted a General Fund balance policy as of December 31, 2008. It is the Town's policy to maintain a sum in operating reserves that is no less than six percent of its total General Fund revenues. The Town considers its operating reserves to consist of undesignated fund balance of the General Fund (as defined by the Uniform Massachusetts Accounting System basis of accounting established by the Commonwealth) and the General Stabilization fund balance.

Q. Long-Term Debt

Government-Wide and Proprietary Fund Financial Statements

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

Governmental Funds Financial Statements

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

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

R. Investment Income

Government-Wide and Fund Financial Statements

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the General Fund unless otherwise directed by 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, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Compensated Absences (Continued)

Governmental Funds Financial Statements

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

T. Pensions

Government-Wide and Proprietary Fund Financial Statements

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

U. Other Post-Employment Benefits

Government-Wide and Fund Financial Statements

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

V. Use of Estimates

Government-Wide and Fund Financial Statements

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

W. Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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 2017 approved budget for the General Fund authorized \$109,216,454 in appropriations. During fiscal year 2017, supplemental appropriations totaling \$7,629,296 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, 2017, the following fund deficits exist:

Fund	Amount	Funding Source
Aberjona Flood Mitigation.....	\$ 5,598,768	Issuance of short-term debt
Skillings Field Environmental Remediation.....	3,508,804	Issuance of short-term debt
Special Duty Details.....	156,206	User charges and available funds

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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, 2017, \$14,990,615 of the Town's bank balance of \$16,972,691 was uninsured and uncollateralized.

Investments Summary

The Town's investments at June 30, 2017 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.....	\$ 609,014	\$ -	479,931	106,944	22,139
U.S. Agencies.....	1,436,775	219,844	1,216,931	-	-
Corporate bonds.....	630,554	179,851	450,703	-	-
Money market mutual funds....	790,945	790,945	-	-	-
Certificate of Deposits.....	5,857,787	5,857,787	-	-	-
Fixed income securities.....	763,680	763,680	-	-	-
External investment pools.....	19,305,680	19,305,680	-	-	-
Total debt securities.....	<u>29,394,435</u>	<u>\$ 27,117,786</u>	<u>\$ 2,147,565</u>	<u>\$ 106,944</u>	<u>\$ 22,139</u>
<u>Other Investments:</u>					
Equity securities.....	3,720,587				
Equity mutual funds.....	<u>3,209,426</u>				
Total other investments.....	<u>6,930,013</u>				
Total investments.....	<u>\$ 36,324,448</u>				

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

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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, 2017, the Town was not exposed to custodial credit risk.

Investments - Credit Risk of Debt Securities

Credit risk for investments is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The Town's policy for trust fund investments is that municipal and corporate debt securities shall be rated no less than "A" by at least one nationally recognized bond rating service at the time of purchase. The Town's policy for all other investments in debt securities is to comply with the provisions of MGL Chapter 44. As of June 30, 2017, the credit quality ratings of the Town's investments in debt securities are as follows:

Investment Type	Fair Value	Quality Ratings (1), (2)			
		AAA	AA+	BBB+	Unrated
U.S. Agencies/Treasury.....	\$ 2,045,789	\$ 993,240	\$ 1,052,549	\$ -	\$ -
Corporate bonds.....	630,554	-	-	630,554	-
Money market mutual funds..	790,945	-	-	-	790,945
Certificates of deposit.....	5,857,787	-	-	-	5,857,787
Fixed income securities.....	763,680	-	-	-	763,680
External investment pools....	19,305,680	-	-	-	19,305,680
Total.....	\$ <u>29,394,435</u>	\$ <u>-</u>	\$ <u>1,052,549</u>	\$ <u>630,554</u>	\$ <u>26,718,092</u>

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

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

Investments – Fair Value Measurements

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

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments by Fair Value Level	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Debt Securities:</u>				
U.S. Treasuries.....	\$ 609,014	\$ 609,014	\$ -	\$ -
U.S. Agencies.....	1,436,775	1,436,775	-	-
Corporate bonds.....	630,554	630,554	-	-
Other Fixed Income Securities.....	763,680	763,680	-	-
Total Debt Securities.....	3,440,023	3,440,023	-	-
<u>Equity Securities:</u>				
Equity securities.....	3,720,587	3,720,587	-	-
Equity mutual funds.....	3,209,426	3,209,426	-	-
Total Equity Securities	6,930,013	6,930,013	-	-
Total Investments by Fair Value Level	10,370,036	\$ 10,370,036	\$ -	\$ -

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

Pension Trust Fund (The System)

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

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

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the System's deposits may not be recovered. The System does not have a policy for custodial credit risk of deposits. As of December 31, 2016, the System was not exposed to custodial credit risk.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Summary

The System's investments at December 31, 2016 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type*	Total Amount	Investment Maturities (in Years) Less Than 1
<u>Debt Securities:</u>		
Money Market Mutual Funds	\$ 3,267,716	\$ 3,267,716
Fixed Income Mutual Funds	17,640,024	17,640,024
External Investment Pool	16,437,999	16,437,999
Total Debt Securities	37,345,739	\$ 37,345,739
<u>Other Investments:</u>		
Equity Mutual Funds	59,503,771	
Real Estate Funds	6,009,382	
Alternative investments	5,096,163	
Total Other Investments	70,609,316	
Total Investments	\$ 107,955,055	

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

Investments - Interest Rate Risk of Debt Securities

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

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System does not have a policy for custodial credit risk of investments. As of December 31, 2016, \$2,683,024 of real estate investments within the System's investments of \$107,955,056 was uninsured, not registered in the name of the System and exposed to custodial credit risk due to being held by a counterparty's trust or agent.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The System does not have a policy for credit risk of debt securities. As of December 31, 2016, the credit quality ratings of the System's debt securities are as follows:

<u>Quality Ratings *</u>	<u>Money Market Mutual Funds</u>	<u>Mutual Bond Funds</u>	<u>External Investment Pools</u>	<u>Total</u>
AAA.....	\$ -	\$ 12,333,905	\$ -	\$ 12,333,905
AA.....	-	818,497	-	818,497
A.....	-	2,963,524	-	2,963,524
Below B.....	-	254,016	-	254,016
Unrated.....	<u>3,267,716</u>	<u>1,270,082</u>	<u>16,437,999</u>	<u>20,975,797</u>
Total.....	<u>\$ 3,267,716</u>	<u>\$ 17,640,024</u>	<u>\$ 16,437,999</u>	<u>\$ 37,345,739</u>

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

Investments – Fair Value Measurements

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

<u>Investments by Fair Value Level</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>Debt Securities:</u>				
Fixed Income Mutual Funds	\$ <u>17,640,024</u>	\$ <u>17,640,024</u>	\$ -	\$ -
<u>Equity Securities:</u>				
Equity Mutual Funds	<u>59,503,771</u>	<u>59,503,771</u>	-	-
Total Investments by Fair Value Level	<u>\$ 77,143,795</u>	<u>\$ 77,143,795</u>	<u>\$ -</u>	<u>\$ -</u>

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Real Estate Funds	\$ 6,009,382	\$ -	N/A	N/A
Pooled Hedge Funds (PRIT)	5,096,163	-	N/A	N/A
Total Investments at Net Asset Value (NAV)	<u>\$11,105,545</u>	<u>\$ -</u>		

Investments – Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment. The System does not have a policy for foreign currency risk. As of December 31, 2016, the System's exposure to foreign currency risk is as follows:

Investment Type	U.S. Dollar Balances	Currency
Equity Mutual Funds.....	\$ 5,139,887	Euro
Equity Mutual Funds.....	4,013,308	Japanese Yen
Equity Mutual Funds.....	3,075,261	British Pound
Equity Mutual Funds.....	1,438,670	Swiss Franc
Equity Mutual Funds.....	1,230,770	Australian Dollar
Equity Mutual Funds.....	1,112,784	Chinese Yuan
Equity Mutual Funds.....	639,241	Korean won
Equity Mutual Funds.....	540,541	Hong Kong Dollar
Equity Mutual Funds.....	472,350	Swedish Krona
Equity Mutual Funds.....	512,234	New Taiwan Dollar
Equity Mutual Funds.....	348,639	Indian Rupee
Equity Mutual Funds.....	274,428	Danish Krone
Equity Mutual Funds.....	299,013	South African Rand
Equity Mutual Funds.....	324,667	Brazilian Real
Equity Mutual Funds.....	206,237	Singapore Dollar
Equity Mutual Funds.....	148,876	Mexican Peso
Equity Mutual Funds.....	189,669	Russian Ruble
Equity Mutual Funds.....	113,098	Israeli New Sheqel
Equity Mutual Funds.....	106,400	Malaysian Ringgit
Equity Mutual Funds.....	109,344	Indonesian Rupiah
Equity Mutual Funds.....	113,098	Norwegian Krone
Equity Mutual Funds.....	97,148	Thai Baht
Equity Mutual Funds.....	50,466	Philippine Peso
Equity Mutual Funds.....	43,317	Turkish Lira
Equity Mutual Funds.....	47,943	Polish Zloty
Equity Mutual Funds.....	50,466	Chilean Peso
Equity Mutual Funds.....	39,111	Qatar
Equity Mutual Funds.....	36,168	United Arab Emirates
Equity Mutual Funds.....	29,938	New Zealand Dollar
Equity Mutual Funds.....	18,504	Colombian Peso
Equity Mutual Funds.....	15,981	Peruvian Nuevo Sol
Total.....	<u>\$ 20,837,556</u>	

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 ACCOUNTS RECEIVABLE

At June 30, 2017 receivables for the individual major governmental funds and nonmajor governmental and fiduciary funds in the aggregate, including the applicable allowances for uncollectible amounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Real estate and personal property taxes.....	\$ 736,040	\$ (3,890)	\$ 732,150
Real estate tax deferrals.....	725,869	-	725,869
Tax liens.....	706,997	-	706,997
Motor vehicle and other excise taxes.....	404,355	(215,451)	188,904
Special assessments.....	4	-	4
Departmental and other.....	514,905	(119,602)	395,302
Intergovernmental.....	<u>3,243,736</u>	<u>-</u>	<u>3,243,736</u>
 Total.....	 <u>\$ 6,331,906</u>	 <u>\$ (338,943)</u>	 <u>\$ 5,992,962</u>

At June 30, 2017, receivables for the Water/Sewer Enterprise Fund consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
User charges.....	\$ 2,050,294	\$ -	\$ 2,050,294
Utility liens.....	<u>23,080</u>	<u>-</u>	<u>23,080</u>
 Total.....	 <u>\$ 2,073,374</u>	 <u>\$ -</u>	 <u>\$ 2,073,374</u>

McCall Middle School

The Massachusetts School Building Authority (MSBA) provides contract assistance to the Town for the completed McCall Middle School construction project. The assistance program provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2017, \$672,082 of such assistance was received and is reported as revenue in the General Fund. Approximately \$2,687,000 will be received in future fiscal years. Of this amount, approximately \$958,000 represents reimbursement of long-term interest costs, and approximately \$1,729,000 represents reimbursement of approved construction costs. Accordingly, a \$1,729,000 intergovernmental receivable and corresponding deferred inflow have been reported on the General Fund balance sheet. The unavailable revenue has been recognized as revenue in the conversion to the government-wide financial statements.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 ACCOUNTS RECEIVABLE (CONTINUED)

Winchester High School

The MSBA provides grants to the Town for the Winchester High School construction project. Town Meeting authorized feasibility and construction costs of \$129,923,146, which included approximately \$31,800,000 of costs that are considered excludable in accordance with MSBA's reimbursement policy. Based on the most recently approved amendments, the MSBA has approved a maximum grant totaling approximately \$43,100,000 representing 42.92% of the MSBA allowable costs totaling approximately \$100,420,000. During fiscal year 2017, approximately \$7,100,000 of grant assistance was received and accrued and is reported as revenue in the School Construction fund. As of June 30, 2017, approximately \$122,000,000 has been spent on the project and approximately \$40,710,000 in grants has been received and accrued to date. A \$818,262 intergovernmental receivable has been reported on the School Construction balance sheet for costs incurred but not yet reimbursed as of June 30, 2017.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance at 6/30/16	Increases	Decreases	Balance at 6/30/17
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 64,731,516	\$ -	\$ -	\$ 64,731,516
Construction in progress.....	86,913,999	40,274,495	(158,136)	127,030,358
Total capital assets not being depreciated..	<u>151,645,515</u>	<u>40,274,495</u>	<u>(158,136)</u>	<u>191,761,874</u>
<u>Capital assets being depreciated:</u>				
Land improvements.....	10,908,232	277,584	-	11,185,816
Buildings and improvements.....	139,244,072	407,090	-	139,651,162
Machinery and equipment.....	10,969,589	491,556	(138,000)	11,323,145
Vehicles.....	5,145,620	162,288	(40,239)	5,267,669
Infrastructure.....	33,802,226	756,623	(111,893)	34,446,956
Total capital assets being depreciated.....	<u>200,069,739</u>	<u>2,095,141</u>	<u>(290,132)</u>	<u>201,874,748</u>
<u>Less accumulated depreciation for:</u>				
Land improvements.....	(4,420,083)	(410,875)	-	(4,830,958)
Buildings and improvements.....	(46,529,204)	(3,055,194)	-	(49,584,398)
Machinery and equipment.....	(9,321,310)	(424,291)	138,000	(9,607,601)
Vehicles.....	(3,945,902)	(376,087)	40,239	(4,281,750)
Infrastructure.....	(25,374,665)	(662,522)	111,893	(25,925,294)
Total accumulated depreciation.....	<u>(89,591,164)</u>	<u>(4,928,969)</u>	<u>290,132</u>	<u>(94,230,001)</u>
Total capital assets being depreciated, net.....	<u>110,478,575</u>	<u>(2,833,828)</u>	<u>-</u>	<u>107,644,747</u>
Total governmental activities capital assets, net....	<u>\$ 262,124,090</u>	<u>\$ 37,440,667</u>	<u>\$ (158,136)</u>	<u>\$ 299,406,621</u>

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 CAPITAL ASSETS (CONTINUED)

Business-Type Activities:	<u>Balance at</u>		<u>Increases</u>		<u>Decreases</u>		<u>Balance at</u>
	<u>6/30/16</u>						<u>6/30/17</u>
<i>Water/Sewer:</i>							
<u>Capital assets not being depreciated:</u>							
Construction in progress.....	\$ 2,828,349		\$ 69,042		(896,356)		\$ 2,001,035
<u>Capital assets being depreciated:</u>							
Land improvements.....	1,679,786		-		-		1,679,786
Buildings and improvements.....	7,324,527		-		-		7,324,527
Machinery and equipment.....	1,591,694		8,100		-		1,599,794
Vehicles.....	733,004		150,731		(43,667)		840,068
Infrastructure.....	<u>16,792,450</u>		<u>1,464,641</u>		<u>-</u>		<u>18,257,091</u>
Total capital assets being depreciated.....	<u>28,121,461</u>		<u>1,623,472</u>		<u>(43,667)</u>		<u>29,701,266</u>
<u>Less accumulated depreciation for:</u>							
Land improvements.....	(404,271)		(81,792)		-		(486,063)
Buildings and improvements.....	(2,811,162)		(150,647)		-		(2,961,809)
Machinery and equipment.....	(1,145,970)		(70,827)		-		(1,216,797)
Vehicles.....	(686,433)		(23,402)		43,667		(666,168)
Infrastructure.....	<u>(5,162,852)</u>		<u>(362,277)</u>		<u>-</u>		<u>(5,525,129)</u>
Total accumulated depreciation.....	<u>(10,210,688)</u>		<u>(688,945)</u>		<u>43,667</u>		<u>(10,855,966)</u>
Total capital assets being depreciated, net.....	<u>17,910,773</u>		<u>934,527</u>		<u>-</u>		<u>18,845,300</u>
Total water/sewer capital assets, net.....	<u>20,739,122</u>		<u>1,003,569</u>		<u>(896,356)</u>		<u>20,846,335</u>
<i>Recreation:</i>							
<u>Capital assets being depreciated:</u>							
Land improvements.....	364,965		-		-		364,965
Buildings and improvements.....	10,716		-		-		10,716
Machinery and equipment.....	<u>-</u>		<u>16,840</u>		<u>-</u>		<u>16,840</u>
Total capital assets being depreciated.....	<u>375,681</u>		<u>16,840</u>		<u>-</u>		<u>392,521</u>
<u>Less accumulated depreciation for:</u>							
Land improvements.....	(361,190)		(211)		-		(361,401)
Buildings and improvements.....	(9,875)		(214)		-		(10,089)
Machinery and equipment.....	<u>-</u>		<u>(187)</u>		<u>-</u>		<u>(187)</u>
Total accumulated depreciation.....	<u>(371,065)</u>		<u>(612)</u>		<u>-</u>		<u>(371,677)</u>
Total recreation capital assets, net.....	<u>4,616</u>		<u>16,228</u>		<u>-</u>		<u>20,844</u>
Total business-type activities capital assets, net....	<u>\$ 20,743,738</u>		<u>\$ 1,019,797</u>		<u>\$ (896,356)</u>		<u>\$ 20,867,179</u>

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:

General government.....	\$	473,257
Public safety.....		435,333
Education.....		2,502,322
Public works.....		1,078,945
Health and human services.....		6,772
Culture and recreation.....		<u>432,340</u>

Total depreciation expense - governmental activities..... \$ 4,928,969

Business-Type Activities:

Water/Sewer.....	\$	688,945
Recreation.....		<u>612</u>

Total depreciation expense - business-type activities..... \$ 689,557

NOTE 6 INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2017, are summarized below:

Transfers Out:	Transfers In:					Total
	General Fund	Nonmajor Governmental Funds	School Construction Fund	Water/Sewer Enterprise Fund	Recreation Enterprise Fund	
General Fund.....	\$ -	\$ 619,598	4,871,378	\$ 4,511,555	\$ 194,448	\$ 10,196,979 (1)
Nonmajor Governmental Funds.....	278,419	-	-	-	-	278,419 (2)
Water/Sewer Enterprise Fund.....	863,041	-	-	-	-	863,041 (3)
Recreation Enterprise Fund.....	<u>124,904</u>	-	-	-	-	<u>124,904 (3)</u>
	<u>\$ 1,266,364</u>	<u>\$ 619,598</u>	<u>4,871,378</u>	<u>\$ 4,511,555</u>	<u>\$ 194,448</u>	<u>\$ 11,463,343</u>

(1) Represents budgeted transfers to the School Construction Fund (\$4,871,378), Water/Sewer Enterprise Fund for budgeted subsidy (\$4,511,555), Recreation Enterprise Fund for budgeted subsidy (\$175,000), Recreation Enterprise Fund for wage allocations (\$19,448), Athletic Revolving Fund (\$439,598) and Workers Compensation Reserve Fund (\$180,000).

(2) Represents budgeted transfers to the General Fund from special revenue funds (\$244,000) and the closeout of various capital projects funds (\$34,419).

(3) Represents transfers for indirect costs allocated to Water/Sewer (\$863,041) and Recreation (\$124,904) Enterprise Funds related to shared employees.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 SHORT-TERM FINANCING

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

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

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

Details related to the short-term debt activity for the fiscal year ended June 30, 2017, is as follows:

Governmental Funds

Type	Description	Origination Date	Maturity Date	Interest Rate	Balance at 6/30/2016	Increases	Decreases	Balance at 6/30/2017
BAN	Wright/Locke Farm Land Acquisition.....	10/30/15	10/28/16	0.95%	\$ 400,000	\$ -	\$ (400,000)	\$ -
BAN	Vinson-Owen School Construction.....	6/28/16	10/28/16	2.00%	295,000	-	(295,000)	-
BAN	Skillings Field Environmental Remediation.....	6/28/16	10/28/16	2.00%	2,530,000	-	(2,530,000)	-
BAN	Aberjona River Flood Mitigation/Culvert.....	6/28/16	10/28/16	2.00%	2,570,000	-	(2,570,000)	-
BAN	High School Remodel.....	6/15/17	10/27/17	1.50%	-	4,700,000	-	4,700,000
BAN	Aberjona River Flood Mitigation/Culvert.....	6/15/17	10/27/17	1.50%	-	2,500,000	-	2,500,000
BAN	Aberjona River Flood Mitigation/Culvert.....	10/28/16	10/27/17	1.75%	-	3,200,000	-	3,200,000
BAN	Skillings Field Renovation.....	10/28/16	10/27/17	1.75%	-	4,000,000	-	4,000,000
BAN	Vinson-Owen School Construction.....	10/28/16	10/27/17	1.18%	-	328,000	-	328,000
BAN	Wright/Locke Farm Land Acquisition.....	10/28/16	10/27/17	1.10%	-	400,000	-	400,000
Total.....					\$ 5,795,000	\$ 15,128,000	\$ (5,795,000)	\$ 15,128,000

Subsequent Events

On October 27, 2017, the Town issued BANs totaling \$18,067,000 with maturity dates of June 27, 2018. Of the issuance, \$14,728,000 represented renewals of BANs outstanding at June 30, 2017. The \$400,000 BAN for Wright/Locke Farm land acquisition was paid off subsequent to year-end with proceeds from the sale of the asset.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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, 2017:

	Balance at 6/30/16	Increases	Decreases	Balance at 6/30/17	Current Portion
Governmental Activities:					
Bonds and notes payable.....	\$ 131,357,698	\$ -	(5,461,756)	\$ 125,895,942	\$ 6,936,206
Unamortized bond premiums.....	4,260,627	691,033	(155,944)	4,795,716	-
Total bonds and notes payable.....	135,618,325	691,033	(5,617,700)	130,691,658	6,936,206
Environmental remediation.....	3,164,097	-	(3,117,339)	46,758	46,758
Workers' compensation claims.....	148,860	252,993	(152,598)	249,255	186,941
Net pension liability.....	30,470,176	-	(685,253)	29,784,923	-
Net OPEB obligation.....	28,244,229	5,679,552	(2,372,442)	31,551,339	-
Compensated absences.....	1,508,909	85,381	-	1,594,290	159,429
Total.....	\$ 199,154,596	\$ 6,708,959	\$ (11,945,332)	\$ 193,918,223	\$ 7,329,334

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

	Balance at 6/30/16	Increases	Decreases	Balance at 6/30/17	Current Portion
Business-type Activities:					
Bonds and notes payable.....	\$ 8,639,669	\$ 621,775	(1,053,915)	\$ 8,207,529	\$ 1,083,910
Net pension liability.....	1,220,208	-	(29,932)	1,190,276	-
Net OPEB obligation.....	1,153,049	200,917	(83,926)	1,270,040	-
Compensated absences.....	60,611	-	6,315	66,926	6,692
Total.....	\$ 11,073,537	\$ 822,692	\$ (1,161,458)	\$ 10,734,771	\$ 1,090,602

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 LONG-TERM DEBT

Details related to the outstanding indebtedness at June 30, 2017, 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 6/30/16	Issued	Redeemed	Outstanding at 6/30/17
10/25/00	08/01/18	\$ 72,121	MCWT (formerly MWPAT).....	4.96%	\$ 12,018	\$ -	\$ (4,006)	\$ 8,012
07/01/05	07/01/19	765,490	School building remodeling refunding.....	3.82%	284,720	-	(72,420)	212,300
07/01/05	07/01/19	165,260	School engineering refunding.....	3.82%	60,960	-	(15,500)	45,460
07/01/05	07/01/24	3,143,000	School remodeling.....	3.92%	1,500,000	-	(165,000)	1,335,000
07/01/05	07/01/24	375,000	Town building remodeling.....	3.91%	175,000	-	(20,000)	155,000
07/01/05	07/01/19	272,000	Equipment and planning.....	3.51%	20,000	-	(5,000)	15,000
07/01/05	07/01/24	375,000	Drainage - cross street.....	3.90%	175,000	-	(20,000)	155,000
07/01/06	07/01/25	440,000	Building remodeling.....	4.25%	215,000	-	(25,000)	190,000
07/01/06	07/01/25	900,150	School remodeling.....	4.24%	600,000	-	(60,000)	540,000
07/01/06	07/01/24	490,200	Lincoln school.....	4.26%	225,000	-	(25,000)	200,000
07/01/06	07/01/17	57,000	Drainage.....	4.25%	10,000	-	(5,000)	5,000
07/01/06	07/01/25	1,660,000	Ambrose school.....	4.24%	850,000	-	(85,000)	765,000
07/01/06	07/01/25	412,850	Building remodeling & plans.....	4.25%	150,000	-	(15,000)	135,000
07/01/08	07/01/25	2,968,000	School remodeling.....	4.13%	1,740,000	-	(175,000)	1,565,000
07/01/08	07/01/22	1,100,000	School classrooms.....	4.08%	550,000	-	(80,000)	470,000
07/01/08	07/01/27	562,000	McCall middle school design.....	4.18%	350,000	-	(30,000)	320,000
07/01/08	07/01/27	128,000	Building remodeling and plans.....	4.15%	72,000	-	(8,000)	64,000
07/01/08	07/01/28	6,188,000	McCall middle school addition.....	4.21%	4,010,000	-	(310,000)	3,700,000
07/01/08	07/01/28	1,556,000	Public safety building.....	4.21%	986,000	-	(81,000)	905,000
07/01/08	07/01/28	2,100,000	Town hall.....	4.20%	1,357,000	-	(106,000)	1,251,000
07/01/08	07/01/28	390,000	Transfer station/landfill use restoration.....	4.25%	250,000	-	(20,000)	230,000
05/01/09	05/01/29	1,644,000	Public safety building.....	3.53%	1,045,000	-	(85,000)	960,000
05/01/09	05/01/29	1,000,000	DPW complex.....	3.55%	650,000	-	(50,000)	600,000
05/01/09	05/01/24	1,350,000	Manchester field.....	3.24%	720,000	-	(90,000)	630,000
05/01/09	05/01/29	960,000	Fire alams/corridor/ADA.....	3.53%	610,000	-	(50,000)	560,000
08/15/09	08/15/16	206,000	Building remodeling refunding.....	2.71%	26,000	-	(26,000)	-
08/15/09	08/15/17	642,000	School project refunding.....	2.76%	142,000	-	(72,000)	70,000
08/15/09	08/15/20	8,667,000	School construction refunding.....	3.23%	4,557,000	-	(942,000)	3,615,000
04/15/10	04/15/25	1,282,000	Muraco School HVAC.....	3.22%	765,000	-	(85,000)	680,000
04/15/10	04/15/15	650,000	Fire Trucks.....	2.38%	-	-	-	-
04/15/10	04/15/29	220,000	DPW Repairs.....	3.37%	130,000	-	(10,000)	120,000
04/28/11	04/15/36	16,000,000	Vinson-Owen School.....	4.05%	12,800,000	-	(640,000)	12,160,000
04/28/11	04/15/31	970,000	Lynch School roof repairs.....	3.65%	720,000	-	(50,000)	670,000
04/28/11	04/15/26	100,000	Muraco School HVAC.....	3.28%	50,000	-	(5,000)	45,000
04/28/11	04/15/31	3,962,000	Flood mitigation.....	3.68%	2,960,000	-	(200,000)	2,760,000
05/16/12	07/01/24	3,832,150	Ambrose School.....	2.00%	3,247,450	-	(404,750)	2,842,700
05/16/12	07/01/24	2,389,000	Lincoln School I.....	2.00%	2,031,500	-	(246,500)	1,785,000
05/16/12	07/01/24	102,500	Lincoln School II (comp).....	2.00%	86,500	-	(10,500)	76,000
05/16/12	07/01/24	490,500	Capital improvements.....	2.00%	388,000	-	(78,000)	310,000
05/16/12	07/01/24	40,350	Sewer & Dam.....	2.00%	32,550	-	(5,750)	26,800
05/16/12	07/01/24	53,500	Departmental Equipment II.....	2.00%	30,000	-	(15,000)	15,000
05/16/12	07/01/24	108,500	Sewer.....	2.00%	92,000	-	(11,000)	81,000
05/16/12	07/01/24	148,500	Roads.....	2.00%	117,000	-	(23,500)	93,500
05/16/12	07/01/24	630,000	Flood mitigation - Center Falls Dam.....	2.00%	430,000	-	(50,000)	380,000
07/01/14	07/01/34	1,770,000	Vinson-Owen School.....	3.20%	1,679,500	-	(90,500)	1,589,000
07/01/14	07/01/34	850,000	High School feasibility study.....	3.20%	805,500	-	(44,500)	761,000
07/01/15	07/01/21	30,715	High School feasibility study.....	5.00%	30,715	-	(5,545)	25,170
07/01/15	07/01/44	30,000,000	High School construction.....	5.00%	30,000,000	-	(35,000)	29,965,000
07/01/15	07/01/35	230,000	Vinson-Owen School.....	5.00%	230,000	-	(15,000)	215,000
10/15/15	10/15/35	3,420,000	Land Acquisition.....	3.44%	3,420,000	-	(175,000)	3,245,000
07/01/15	07/01/45	29,969,285	High School construction.....	5.00%	29,969,285	-	(619,285)	29,350,000
10/27/16	10/15/45	20,000,000	High School construction.....	3.22%	20,000,000	-	-	20,000,000
Total governmental funds.....					\$ 131,357,698	\$ -	\$ (5,461,756)	\$ 125,895,942
Unamortized premiums.....					4,260,627	691,033	(155,944)	4,795,716
Total governmental funds, net.....					\$ 135,618,325	\$ 691,033	\$ (5,617,700)	\$ 130,691,658

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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>
2018.....	\$ 6,936,206	\$ 5,067,227	\$ 12,003,433
2019.....	7,119,566	4,479,548	11,599,114
2020.....	7,085,000	4,203,748	11,288,748
2021.....	6,960,000	3,933,796	10,893,796
2022.....	6,035,170	3,682,070	9,717,240
2023.....	6,020,000	3,444,682	9,464,682
2024.....	5,900,000	3,206,285	9,106,285
2025.....	5,770,000	2,968,142	8,738,142
2026.....	4,925,000	2,740,896	7,665,896
2027.....	4,585,000	2,531,034	7,116,034
2028.....	4,600,000	2,327,564	6,927,564
2029.....	4,550,000	2,145,112	6,695,112
2030.....	3,935,000	1,994,101	5,929,101
2031.....	3,890,000	1,846,822	5,736,822
2032.....	3,735,000	1,694,232	5,429,232
2033.....	3,745,000	1,550,975	5,295,975
2034.....	3,765,000	1,406,122	5,171,122
2035.....	3,790,000	1,260,191	5,050,191
2036.....	3,680,000	1,117,720	4,797,720
2037.....	2,885,000	985,569	3,870,569
2038.....	2,910,000	888,243	3,798,243
2039.....	2,935,000	788,869	3,723,869
2040.....	2,960,000	686,895	3,646,895
2041.....	2,990,000	579,624	3,569,624
2042.....	3,020,000	467,518	3,487,518
2043.....	3,050,000	354,474	3,404,474
2044.....	3,080,000	240,492	3,320,492
2045.....	2,965,000	128,575	3,093,575
2046.....	2,075,000	36,940	2,111,940
Total.....	\$ <u>125,895,942</u>	\$ <u>56,757,466</u>	\$ <u>182,653,408</u>

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 LONG-TERM DEBT (CONTINUED)

Bonds and Notes Payable – Water/Sewer Enterprise Fund

Date of Issue	Maturity Date	Original Issue	Project	Interest Rate	Outstanding at 6/30/16	Issued	Redeemed	Outstanding at 6/30/17
07/01/05	07/01/19	2,515,470	Water mains refunding.....	3.81%	926,970	-	(238,930)	688,040
07/01/05	07/01/19	448,780	Water mains II refunding.....	3.81%	162,350	-	(43,150)	119,200
7/1/2006	07/01/26	2,149,000	Drainage.....	4.46%	1,155,000	-	(110,000)	1,045,000
05/01/09	04/15/29	750,000	Phase III drainage.....	3.53%	470,000	-	(40,000)	430,000
4/15/2010	04/15/29	1,688,000	Drainage.....	3.43%	1,170,000	-	(90,000)	1,080,000
5/16/2012	07/01/24	210,000	Sewer pump stations.....	2.00%	135,000	-	(15,000)	120,000
6/11/2012	05/15/17	64,515	Sewer (MWRA).....	0.00%	12,903	-	(12,903)	-
05/16/12	07/01/24	1,625,000	Drainage refunding.....	2.00%	1,380,000	-	(170,000)	1,210,000
02/24/14	02/15/19	510,785	Sewer (MWRA).....	0.00%	306,471	-	(102,157)	204,314
07/01/14	07/01/34	308,000	Drainage.....	3.20%	285,000	-	(15,000)	270,000
07/01/14	07/01/34	198,000	Dam improvement planning.....	4.00%	145,000	-	(50,000)	95,000
07/01/14	07/01/34	296,000	Sewer system repairs.....	3.19%	280,000	-	(15,000)	265,000
3/15/2015	02/15/25	167,750	Sewer (MWRA).....	0.00%	150,975	-	(16,775)	134,200
5/5/2015	02/15/25	500,000	Water (MWRA).....	0.00%	450,000	-	(50,000)	400,000
7/1/2015	07/01/35	1,300,000	South Reservoir Dam Improvements I.....	5.00%	1,300,000	-	(65,000)	1,235,000
7/1/2015	07/01/35	310,000	South Reservoir Dam Improvements II.....	5.00%	310,000	-	(20,000)	290,000
8/22/2016	08/15/26	21,775	Sewer (MWRA).....	0.00%	-	21,775	-	21,775
2/27/2017	02/15/27	600,000	Sewer (MWRA).....	0.00%	-	600,000	-	600,000
Total water/sewer enterprise fund, net.....					<u>\$ 8,639,669</u>	<u>\$ 621,775</u>	<u>\$ (1,053,915)</u>	<u>\$ 8,207,529</u>

The MWRA operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. For each community approved for the project, financial assistance received from the MWRA consists of a grant and non-interest bearing loan (payable in five or ten equal annual installments). At June 30, 2017, the outstanding principal amount of these loans totaled \$1,360,289.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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>
2018..... \$	1,083,910	\$ 232,045	\$ 1,315,955
2019.....	1,065,550	201,524	1,267,074
2020.....	908,953	173,134	1,082,087
2021.....	638,953	150,396	789,349
2022.....	633,953	133,682	767,635
2023.....	628,953	116,914	745,867
2024.....	623,953	100,119	724,072
2025.....	618,953	83,119	702,072
2026.....	402,178	67,721	469,899
2027.....	397,178	53,957	451,135
2028.....	235,000	42,260	277,260
2029.....	235,000	33,366	268,366
2030.....	110,000	25,082	135,082
2031.....	110,000	21,382	131,382
2032.....	110,000	17,263	127,263
2033.....	110,000	13,107	123,107
2034.....	110,000	8,933	118,933
2035.....	105,000	4,822	109,822
2036.....	80,000	1,399	81,399
Total..... \$	<u>8,207,529</u>	<u>\$ 1,480,225</u>	<u>\$ 9,687,754</u>

Authorized and Unissued Debt

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2017, the Town had the following authorized and unissued debt:

<u>Purpose</u>	<u>Amount</u>
Aberjona River Flood Mitigation.....	\$ 7,450,000
Skillings Field Remediation.....	4,000,000
High School Remodeling.....	5,486,342
Water/Sewer.....	3,035,560
Skillings Synthetic Field Design/Construction.....	2,399,608
Vinson-Owen School Construction.....	525,275
Land Acquisition.....	400,000
Total.....	<u>\$ 23,296,785</u>

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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, 2017, the latest actuarial valuation, is as follows:

Active employees.....	828
Retired employees, beneficiaries and dependents.....	<u>619</u>
Total.....	<u><u>1,447</u></u>

Funding Policy - The contribution requirements of Plan members and the Town are established and may be amended by the Town. As of July 1, 2016, the required health insurance contribution rates (including Medicare Part B) of Plan members and the Town vary by health plan and range from 30 - 50% and 50 - 70%, respectively. The Plan members and Town each contribute 50% towards a \$4,000 term life insurance policy. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

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.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

The following table shows the components of the Town's annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the Town's net OPEB obligation:

	Amount
Annual required contribution.....	\$ 5,684,487
Interest on net OPEB obligation.....	1,175,891
Adjustment to annual required contribution.....	(979,909)
Annual OPEB cost.....	5,880,469
Contributions made.....	(2,456,368)
Increase in net OPEB obligation.....	3,424,101
Net OPEB obligation at beginning of year.....	29,397,278
Net OPEB obligation at end of year.....	\$ 32,821,379

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, 2015.....	\$ 5,570,810	42.5%	\$ 26,139,056
June 30, 2016.....	5,844,637	44.3%	29,397,278
June 30, 2017.....	5,880,469	41.8%	32,821,379

Funded Status and Funding Progress – The funded status of the Plan at June 30, 2017, 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)
06/30/17	\$ -	\$ 79,989,746	\$ 79,989,746	0.0%	\$ 58,972,529	135.6%

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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

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

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

Valuation date: June 30, 2017

Actuarial cost method: Projected Unit Credit

Amortization method: Level percentage of pay

Remaining amortization period: 30 years at June 30, 2017 (open amortization period)

Interest discount rate: 4.0%

Healthcare/Medical cost trend rate: 4.5%

Projected salary increases: 4.0% annually

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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

Governmental Activities:	
General government.....	\$ 172,380
Public safety.....	779,042
Education.....	4,187,270
Public works.....	420,129
Health and human services.....	31,233
Culture and recreation.....	<u>89,498</u>
 Total AOPEBC - governmental activities.....	 <u>5,679,552</u>
 Business-Type Activities:	
Water/Sewer.....	88,902
Recreation.....	<u>112,015</u>
 Total AOPEBC - business-type activities.....	 <u>200,917</u>
 Total AOPEBC.....	 <u>\$ 5,880,469</u>

NOTE 11 ENVIRONMENTAL REMEDIATION

The Town has included in its financial statements a cost estimate of \$46,758 for the remaining 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. Remediation activities are reported in the *Skillings Field Remediation Fund* in the governmental funds financial statements. 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 2017. Actual costs may vary due to inflation, changes in technology, and changes in regulations.

NOTE 12 RISK FINANCING

Property and Liability Insurance

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

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 12 RISK FINANCING (CONTINUED)

Health Insurance

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

Workers' Compensation and Unemployment Insurance

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

The liability at June 30, 2017, totaled \$249,255. Changes in the reported liability since July 1, 2015, 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 2016.....	\$ 316,044	\$	168,966	\$	(336,150)	\$	148,860
Fiscal year 2017.....	\$ 148,860		252,993		(152,598)		249,255

The Town's liability for unemployment claims is immaterial at June 30, 2017, and therefore is not reported.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 13 FUND BALANCE

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

	General	School Construction	Aberjona Flood Mitigation	Skillings Field Remediation	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Permanent fund principal.....	\$ -	\$ -	\$ -	\$ -	\$ 2,484,468	\$ 2,484,468
Restricted for:						
Debt service.....	69,276	-	-	-	-	69,276
Other post employment benefits...	2,486,586	-	-	-	-	2,486,586
School construction.....	-	4,167,104	-	-	-	4,167,104
Flood mitigation.....	-	-	-	-	1,135,728	1,135,728
Library endowment.....	-	-	-	-	1,783,265	1,783,265
Housing funds.....	-	-	-	-	981,166	981,166
Conservation fund.....	-	-	-	-	89,415	89,415
Sale of land receipts reserved.....	-	-	-	-	247,561	247,561
Aberjona River widening.....	-	-	-	-	4,716	4,716
SPED Circuit Breaker.....	-	-	-	-	91,466	91,466
School lunch.....	-	-	-	-	472,593	472,593
Miscellaneous capital.....	-	-	-	-	3,537	3,537
Workers' compensation.....	-	-	-	-	200,000	200,000
General government.....	-	-	-	-	336,026	336,026
Public safety.....	-	-	-	-	580,707	580,707
Education.....	-	-	-	-	507,932	507,932
Public works.....	-	-	-	-	1,176,266	1,176,266
Health and human services.....	-	-	-	-	234,394	234,394
Culture and recreation.....	-	-	-	-	787,794	787,794
Sub-total - Restricted.....	<u>2,555,862</u>	<u>4,167,104</u>	<u>-</u>	<u>-</u>	<u>8,632,566</u>	<u>15,355,532</u>
Committed to:						
Subsequent year's expenditures...	1,534,000	-	-	-	-	1,534,000
Building stabilization.....	3,263,161	-	-	-	-	3,263,161
Capital stabilization.....	1,279,839	-	-	-	-	1,279,839
Special education stabilization.....	305,435	-	-	-	-	305,435
Continuing appropriations.....	<u>2,064,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,064,842</u>
Sub-total - Committed.....	<u>8,447,277</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,447,277</u>
Assigned to:						
Encumbrances.....	<u>2,160,795</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,160,795</u>
Unassigned.....	<u>12,736,633</u>	<u>-</u>	<u>(5,598,768)</u>	<u>(3,508,804)</u>	<u>(156,206)</u>	<u>3,472,855</u>
Total.....	<u>\$ 25,900,567</u>	<u>\$ 4,167,104</u>	<u>(5,598,768)</u>	<u>(3,508,804)</u>	<u>\$ 10,960,828</u>	<u>\$ 31,920,927</u>

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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:

- General Stabilization Fund (general and/or capital purposes)
- Building Stabilization Fund (approved by Proposition 2^{1/2} override)
- Capital Stabilization Fund (approved by Proposition 2^{1/2} override)
- 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, Building, Capital and Special Education Stabilization Funds at June 30, 2017 total \$4,290,689, \$3,263,161, \$1,279,839, and \$305,435, respectively, and are reported in the general fund as unassigned (\$4,290,689) and committed (\$4,848,435) fund balance.

NOTE 15 PENSION PLAN

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

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

Active members.....	365
Inactive - entitled to or receiving benefits.....	9
Inactive - not entitled to or not receiving benefits.....	126
Retirees and beneficiaries currently receiving benefits.....	<u>267</u>
Total members.....	<u><u>767</u></u>
Number of participating employers.....	<u><u>2</u></u>

The System is governed by a five-member board comprised of the Town Comptroller (ex-officio), two members elected by the System's participants, a fourth member appointed by the Board of Selectmen and a fifth member appointed by the Retirement Board's members.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 15 PENSION PLAN (CONTINUED)

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

Contributions – Chapter 32 of MGL governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. Members hired in 1979 or subsequent contribute an additional 2% of regular compensation in excess of \$30,000. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on annual covered payroll.

For the year ended December 31, 2016, active member contributions totaled \$2,177,000 and employer contributions totaled \$4,299,134. Contributions to the System from the Town were \$4,261,038 for the year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - The components of the net pension liability of the System at December 31, 2016, were as follows:

Total pension liability.....	\$ 139,253,000
Plan fiduciary net position.....	<u>(107,999,646)</u>
Net pension liability.....	<u>\$ 31,253,354</u>
Plan fiduciary net position as a percentage of the total pension liability.....	77.56%

At June 30, 2017, the Town reported a liability of \$30,975,199 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015 that was updated to December 31, 2016. The Town's proportion of the net pension liability is the proportionate share of employer contributions to the System as of December 31, 2016, actuarially determined. At December 31, 2016, the Town's proportion was 99.11%.

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 15 PENSION PLAN (CONTINUED)

For the year ended June 30, 2017, the Town recognized pension expense of approximately \$6,128,000. At June 30, 2017, the Town reported deferred outflows of resources related to pensions of \$10,356,004, consisting of assumption changes of \$5,377,709 and net differences between projected and actual earnings on pension plan investments of \$4,978,295. At June 30, 2017, the Town reported deferred inflows of resources related to pensions of \$1,927,960, all for net differences between expected and actual experience.

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

<u>Year Ended June 30:</u>	<u>Amount</u>
2018.....	\$ 2,974,000
2019.....	2,974,000
2020.....	2,482,000
2021.....	<u>74,000</u>
	<u>\$ 8,504,000</u>

Actuarial Assumptions

The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2016:

Actuarial cost method:	Entry age normal
Amortization method:	Increasing payments 5.5% per year
Remaining amortization period:	13 years
Asset valuation method:	Market value
Investment rate of return:	7.25%, net of pension plan investment expense, including inflation
Inflation rate:	Not explicitly assumed
Salary increases:	4.25% per year for Group 1 and 4.75% per year for Group 4
Cost of living adjustment:	3.0% on the first \$12,000 in benefits

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 15 PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability of the System calculated using the discount rate of 7.25%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
System's net pension liability..... \$	47,410,000	\$ 31,253,354	\$ 17,609,000

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability..... \$	46,988,051	\$ 30,975,199	\$ 17,452,280

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 15 PENSION PLAN (CONTINUED)

Legally Required Reserve Accounts – The balance in the System’s legally required reserves as of December 31, 2016 are as follows:

Description	Amount	Purpose
Annuity Savings Fund.....	\$ 22,842,491	Active members' contribution balance
Annuity Reserve Fund.....	5,273,244	Retired members' contribution account
Military Service Fund.....	17,167	Military leave of absence contribution balance
Pension Reserve Fund.....	76,719,097	Amounts appropriated to fund future retirement
Pension Fund.....	<u>3,147,647</u>	Remaining net position
Total.....	<u>\$ 107,999,646</u>	

NOTE 16 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM

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

<http://www.mass.gov/osc/publications-and-reports/financial-reports/cafr-reports.html>.

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

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

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 16 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)

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

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Since the Town does not contribute directly to MTRS, the Town does not report a proportionate share of the net pension liability of the MTRS at June 30, 2017. The Commonwealth's net pension liability associated with the Town was \$113,116,935.

The MTRS' net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016 rolled forward to June 30, 2016.

For the year ended June 30, 2017, the Town recognized pension expense of \$11,538,669 associated with MTRS and revenue of the same amount for support provided by the Commonwealth.

Actuarial assumptions - The MTRS' total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of January 1, 2016 rolled forward to June 30, 2016. This valuation used the following assumptions:

Investment rate of return – 7.5%

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

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

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 16 MASSACHUSETTS TEACHERS RETIREMENT SYSTEM (CONTINUED)

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

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity.....	40%	6.9%
Core Fixed Income.....	13%	1.6%
Private Equity.....	10%	8.7%
Real Estate.....	10%	4.6%
Value Added Fixed Income.....	10%	4.8%
Hedge Funds.....	9%	4.0%
Portfolio Completion Strategies.....	4%	3.6%
Timber/Natural Resources.....	4%	5.4%
Totals	<u>100%</u>	

Discount rate - The discount rate used to measure the MTRS' total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 17 COMMITMENTS

Significant commitments include the encumbrances and continuing appropriations outstanding for the General Fund, which totaled \$4,225,637 at June 30, 2017.

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, 2017, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the Town at June 30, 2017.

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, 2017, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

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**TOWN OF WINCHESTER, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017**

	Prior Year Encumbrances and Continuing Appropriations	Original Budget	Supplemental Appropriations and Transfers	Final Budget
REVENUES				
Real Estate and Personal Property Taxes	\$ -	\$ 84,747,898	\$ (745,080)	\$ 84,002,818
Motor Vehicle and Other Excise Taxes	-	3,477,000	123,000	3,600,000
Tax Liens	-	-	-	-
Payments in Lieu of Taxes	-	90,000	(1,000)	89,000
Trash Disposal	-	1,330,000	45,000	1,375,000
Intergovernmental	-	9,999,643	152,855	10,152,498
Special Assessments	-	-	-	-
Penalties and Interest on Taxes	-	275,000	(5,000)	270,000
Licenses and Permits	-	1,513,000	337,000	1,850,000
Fines and Forfeitures	-	34,000	-	34,000
Departmental and Other	-	1,481,000	107,000	1,588,000
Investment Income	-	50,000	-	50,000
Total Revenues	-	102,997,541	13,775	103,011,316
EXPENDITURES				
Current:				
General Government	985,516	7,475,558	80,296	8,541,370
Public Safety	280,306	9,026,179	699,760	10,006,245
Education	434,464	45,034,008	397,006	45,865,478
Public Works	1,098,482	6,958,464	1,250,540	9,307,486
Health and Human Services	14,371	654,845	13,185	682,401
Culture and Recreation	118,867	1,929,026	45,576	2,093,469
Pension Benefits	-	4,299,374	-	4,299,374
Employee Benefits	-	10,954,292	43,959	10,998,251
Property and Liability Insurance	-	360,000	-	360,000
State and County Charges	-	561,060	23,211	584,271
Debt Service:				
Principal	-	6,036,926	-	6,036,926
Interest	-	6,066,593	-	6,066,593
Total Expenditures	2,932,006	99,356,325	2,553,533	104,841,864
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(2,932,006)	3,641,216	(2,539,758)	(1,830,548)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	5,413,352	1,230,010	6,643,362
Premium from Issuance of Bonds and Notes	-	-	689,809	689,809
Transfers Out	-	(9,860,129)	(5,075,763)	(14,935,892)
Total Other Financing Sources (Uses)	-	(4,446,777)	(3,155,944)	(7,602,721)
NET CHANGE IN FUND BALANCE				
	(2,932,006)	(805,561)	(5,695,702)	(9,433,269)
Fund Balance - Beginning of Year	15,942,331	15,942,331	15,942,331	15,942,331
FUND BALANCE - END OF YEAR	\$ 13,010,325	\$ 15,136,770	\$ 10,246,629	\$ 6,509,062

	<u>Actual</u>	<u>Current Year Encumbrances and Continuing Appropriations</u>	<u>Actual and Encumbrances and Continuing Appropriations</u>	<u>Variance Positive/ (Negative)</u>
\$	84,159,875	\$ -	\$ 84,159,875	\$ 157,057
	3,726,277	-	3,726,277	126,277
	332,942	-	332,942	332,942
	102,333	-	102,333	13,333
	1,388,602	-	1,388,602	13,602
	10,429,156	-	10,429,156	276,658
	1,675	-	1,675	1,675
	499,965	-	499,965	229,965
	1,697,753	-	1,697,753	(152,247)
	34,866	-	34,866	866
	1,585,298	-	1,585,298	(2,702)
	205,842	-	205,842	155,842
	<u>104,164,584</u>	<u>-</u>	<u>104,164,584</u>	<u>1,153,268</u>
	6,999,500	1,176,193	8,175,693	365,677
	9,153,077	560,562	9,713,639	292,606
	44,829,638	910,024	45,739,662	125,816
	7,655,094	1,509,294	9,164,388	143,098
	641,854	751	642,605	39,796
	1,823,235	68,813	1,892,048	201,421
	4,274,166	-	4,274,166	25,208
	10,563,102	-	10,563,102	435,149
	348,483	-	348,483	11,517
	562,562	-	562,562	21,709
	5,461,756	-	5,461,756	575,170
	5,777,894	-	5,777,894	288,699
	<u>98,090,361</u>	<u>4,225,637</u>	<u>102,315,998</u>	<u>2,525,866</u>
	<u>6,074,223</u>	<u>(4,225,637)</u>	<u>1,848,586</u>	<u>3,679,134</u>
	6,643,362	-	6,643,362	-
	691,033	-	691,033	1,224
	<u>(14,935,892)</u>	<u>-</u>	<u>(14,935,892)</u>	<u>-</u>
	<u>(7,601,497)</u>	<u>-</u>	<u>(7,601,497)</u>	<u>1,224</u>
	(1,527,274)	(4,225,637)	(5,752,911)	3,680,358
	<u>15,942,331</u>	<u>-</u>	<u>15,942,331</u>	<u>-</u>
\$	<u>14,415,057</u>	<u>(4,225,637)</u>	<u>10,189,420</u>	<u>3,680,358</u>

**TOWN OF WINCHESTER, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017**

PENSION PLAN SCHEDULES

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

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

**TOWN OF WINCHESTER, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017**

SCHEDULE OF EMPLOYER CONTRIBUTIONS (SYSTEM)

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 4,299,134	\$ 4,055,526	\$ 3,906,569	3,845,592	3,777,163
Contributions in relation to the actuarially determined contribution	<u>4,299,134</u>	<u>4,055,526</u>	<u>3,906,569</u>	<u>3,845,592</u>	<u>3,777,163</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>
Covered-employee payroll	\$ 18,547,000	\$ 18,547,000	\$ 17,971,254	17,971,254	17,195,132
Contributions as a percentage of covered-employee payroll	23.18%	21.87%	21.74%	21.40%	21.97%

(continued)

	Year Ended December 31,				
	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 3,623,792	\$ 3,515,362	\$ 3,323,793	3,227,543	3,100,000
Contributions in relation to the actuarially determined contribution	<u>3,623,792</u>	<u>3,515,362</u>	<u>3,323,793</u>	<u>3,227,543</u>	<u>3,100,000</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>
Covered-employee payroll	\$ 17,195,132	\$ 16,879,293	\$ 16,879,293	15,863,491	15,863,491
Contributions as a percentage of covered-employee payroll	21.07%	20.83%	19.69%	20.35%	19.54%

(concluded)

SCHEDULE OF INVESTMENT RETURNS (SYSTEM)

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

**TOWN OF WINCHESTER, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017**

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

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

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

SCHEDULE OF TOWN CONTRIBUTIONS (SYSTEM)

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

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

	<u>2017**</u>	<u>2016**</u>	<u>2015**</u>
Town's proportion of the net pension liability	0.00%	0.00%	0.00%
Town's proportionate share of the net pension liability	- \$	- \$	-
Commonwealth's proportionate share of the net pension liability associated with the Town	<u>113,116,935</u>	<u>101,190,658</u>	<u>78,050,395</u>
Total	<u>113,116,935</u> \$	<u>101,190,658</u> \$	<u>78,050,395</u> \$
Town's covered-employee payroll	\$ 33,278,790	\$ 31,305,359	\$ 30,105,390
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	52.73%	55.38%	61.64%

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

**TOWN OF WINCHESTER, MASSACHUSETTS
 REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2017**

SCHEDULE OF TOWN CONTRIBUTIONS (MTRS)

	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 33,278,790	\$ 31,305,359
Contributions as a percentage of covered-employee payroll	N/A	N/A

**TOWN OF WINCHESTER, MASSACHUSETTS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017**

OTHER POSTEMPLOYMENT BENEFITS SCHEDULE

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

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
06/30/17	\$ -	\$ 79,989,746	\$ 79,989,746	0.0%	\$ 58,972,529	135.6%
06/30/15	-	78,355,195	78,355,195	0.0%	54,100,000	144.8%
06/30/13	-	60,106,276	60,106,276	0.0%	44,699,816	134.5%

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

- The 06/30/13 valuation reflects the Town's favorable claims experience during the period between the 07/01/10 valuation and the 06/30/13 valuation
- The 06/30/13 valuation reflects decreases in healthcare cost trend rates compared to the 07/01/10 valuation
- The 06/30/13 valuation reflects the expected change in the Town's health insurance contribution rate to 50% for all health plans effective as of July 1, 2016
- The 06/30/15 valuation reflects the assumptions that effective January 1, 2017, pre-June 30, 2004 retirees enrolled in certain health plans will contribute 30% and that effective July 1, 2017, all post-June 30, 2004 retirees will contribute 50%

**TOWN OF WINCHESTER, MASSACHUSETTS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

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, 2017, 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.....	\$ 104,164,584	\$ 102,315,998	\$ (7,601,497)	\$ 10,189,420
<u>Reclassifications</u>				
Activity of stabilization funds recorded in the general fund for GAAP purposes.....	70,044	-	(414,151)	9,139,124
Activity of OPEB fund recorded in the general fund for GAAP purposes.....	301,814	-	350,000	2,486,586
Reclassification of employee benefits to enterprise funds.....	-	(573,934)	(573,934)	-
<u>Adjustments</u>				
Net change in recording 60-day receipts.....	183,021	-	-	376,956
Net change in recording tax refunds payable.....	(46,355)	-	-	(216,776)
Net change in recording short-term interest accrual.....	-	45,802	-	(51,125)
Net change in recording workers' compensation payable.....	-	100,396	-	(249,255)
To record MTRS on-behalf.....	11,538,669	11,538,669	-	-
To record encumbrances and continuing appropriations.....	-	(4,225,637)	-	4,225,637
GAAP basis as reported on the statement of revenues, expenditures and changes in fund balances.....	<u>\$ 116,211,777</u>	<u>\$ 109,201,294</u>	<u>\$ (8,239,582)</u>	<u>\$ 25,900,567</u>