

TOWN OF LEICESTER, MASSACHUSETTS
Report on the Examination of Basic Financial Statements
For the Year Ended June 30, 2016

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Independent Auditor's Report

To the Honorable Board of Selectmen
Town of Leicester, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Leicester, Massachusetts, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Leicester, 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 above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Leicester, Massachusetts, as of June 30, 2016, and the respective changes in financial position, and the respective budgetary comparison for the General Fund 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, pension plan and other postemployment benefit plan schedules as listed on the table of contents 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.

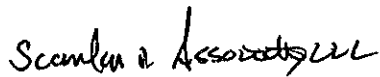
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Leicester, Massachusetts' basic financial statements. The Supplementary Schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2017, on our consideration of the Town of Leicester, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Leicester, Massachusetts' internal control over financial reporting and compliance.



Scanlon & Associates, LLC
South Deerfield, Massachusetts

May 4, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Leicester, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Town's financial performance.

Financial Highlights

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$13,882,618 (net position) for the fiscal year reported. This compares to the previous year when assets and deferred outflows of resources exceeded its liabilities by \$15,729,055 or a decrease of \$1,846,437 (12%).
- At the close of the current fiscal year, the Town's total governmental funds reported total ending fund balance of \$7,447,264 this year, an increase of \$141,456 (2%).
- The General Fund's total fund balance decreased \$634,672 (17%) to \$3,121,882. The ending General fund balance is 10% of revenues and transfers in and 10% of expenditures and transfers out.
- Total liabilities of the Town increased by \$4,307,571 (14%) to \$35,364,899 during the fiscal year. This was mainly attributed to net increases in notes payable of \$1,461,600, in the Other Post Employment Benefits (OPEB) payable of \$1,221,883 and in bonds and leases payable of \$1,640,368; and a net decrease in warrants and accounts payable of \$445,929.
- The Town had General fund free cash certified by the Department of Revenue in the amount of \$1,198,687. The key factors that attributed to the free cash amount for fiscal year 2016 were unexpended/unencumbered appropriations of \$338,000 and excess over budget state and local receipts of \$711,200.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Leicester's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 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 and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions 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*). The governmental activities include general government, public safety, public works, education, health and

human services, culture and recreation, employee and pension benefits, interest, and state assessments. The Town does not have any functions classified as business-type activities.

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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and 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 fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial 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 activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Leicester adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

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 own programs.

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.

Financial Highlights

Statement of Net Position Highlights

	Governmental		
	Activities 2016	2015	Change
Assets:			
Current assets	\$ 12,423,147	\$ 11,195,990	\$ 1,227,157
Capital assets	37,392,847	35,581,522	1,811,325
Total assets	49,815,994	46,777,512	3,038,482
Deferred Outflows of Resources:			
Deferred outflows related to pensions	1,289,181	8,871	1,280,310
Liabilities:			
Current liabilities (excluding debt and lease)	2,068,362	2,330,753	(262,391)
Current debt and lease	2,345,878	735,867	1,610,011
Noncurrent liabilities (excluding debt and lease)	25,328,475	23,860,481	1,467,994
Noncurrent debt and lease	5,622,184	4,130,227	1,491,957
Total liabilities	35,364,899	31,057,328	4,307,571
Deferred Inflows of Resources:			
Deferred inflows related to pensions	1,857,658	-	1,857,658
Net Position:			
Net Investment in Capital Assets	29,561,133	30,871,720	(1,310,587)
Restricted	4,815,092	3,457,539	1,357,553
Unrestricted	(20,493,607)	(18,600,204)	(1,893,403)
Total net position	\$ 13,882,618	\$ 15,729,055	\$ (1,846,437)

Financial Highlights
Statement of Activities Highlights

	Governmental Activities		
	2016	2015	Change
Program Revenues:			
Charges for services	\$ 1,850,100	\$ 2,078,658	\$ (228,558)
Operating grants and contributions	16,366,082	14,444,657	1,921,425
Capital grants and contributions	1,376,601	719,609	656,992
General Revenues:			
Property taxes	13,245,331	12,826,966	418,365
Motor vehicle and other excise taxes	1,539,459	1,461,333	78,126
Penalties and interest on taxes	193,196	164,934	28,262
Nonrestricted grants	1,739,400	1,783,322	(43,922)
Unrestricted investment income	62,847	40,490	22,357
Miscellaneous	16,330	22,966	(6,636)
Total revenues	36,389,346	33,542,935	2,846,411
Expenses:			
General government	2,022,310	1,250,616	771,694
Public safety	3,463,568	3,255,487	208,081
Public works	2,457,583	2,491,063	(33,480)
Education	20,145,756	19,661,627	484,129
Health and human services	273,724	341,337	(67,613)
Culture and recreation	782,709	216,908	565,801
Employee and pension benefits	8,376,692	6,493,390	1,883,302
State assessments	503,182	438,861	64,321
Interest	210,259	12,731	197,528
Total expenses	38,235,783	34,162,020	4,073,763
Change in net position	(1,846,437)	(619,085)	(1,227,352)
Net position - beginning of year	15,729,055	16,348,140	(619,085)
Net position - end of year	\$ 13,882,618	\$ 15,729,055	\$ (1,846,437)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$13,882,618 at the close of fiscal year 2016.

Net position of \$29,561,133 reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets 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 its 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 net position, \$4,815,092 represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of *unrestricted net position* (\$20,493,607).

At the end of the current fiscal year, the Town is able to report positive balances in two categories of net position and a negative balance in the unrestricted category in the governmental activities and for the government as a whole. The unrestricted governmental activities and government as a whole resulted in a negative balance mainly due to the accrual of the OPEB obligation and net pension liabilities that are required under GASB to be recognized in the Town's financial statements. These liabilities are presented on the statement of net position.

The governmental activities net position decreased by \$1,846,437 (12%) during the current fiscal year. The key elements of the decrease in net position for fiscal year 2016 are attributed to a net increase in the acquisition of \$4,251,945 in new capital assets exceeding the depreciation expense (normally spread out over the useful life of the asset) for the year of \$2,440,620 and decreases as a result of the net change in debt and leases of \$1,640,368, and in recognizing this year's OPEB obligation of \$1,221,883 and change in the deferred outflow/(inflow) of resources related to pensions of \$577,348.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. In particular, the general fund *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$7,447,264 an increase of \$141,456 (2%) in comparison with the prior year.

The breakdown of the governmental fund balances is as follows:

- Nonspendable fund balance – \$35,847 (1%).
- Restricted fund balance – \$3,630,720 (49%).
- Committed fund balance – \$1,209,354 (16%).
- Assigned fund balance – \$923,798 (12%).
- Unassigned fund balance – \$1,647,545 (22%).

At the end of the fiscal year, the *General Fund* reported a fund balance of \$3,121,882 decreasing \$634,672 (17%) from the prior year. Of the \$3,121,882, the unassigned amount is \$2,193,308 (70%), the restricted amount is \$4,776 (1%) and the assigned amount is \$923,798 (29%). General fund revenues were \$2,026,468 (7%) more than the prior fiscal year while expenditures also increased by \$2,176,585 (8%). Other activities in the General Fund were net transfers to other funds of \$320,676.

The main components of the increases in general fund revenues as compared to the prior year are related increases in property taxes of \$447,568 (4%), in intergovernmental receipts of \$156,185 (1%), in licenses, permits and fees of \$162,911 (24%), in excise and other taxes of \$136,766 (10%) and in intergovernmental – "on-behalf" payments of \$1,072,419 (73%).

The major changes with the general fund expenditures from the prior fiscal year were as follows:

- Increase in General government expenditures of \$273,802 (25%).
- Increase in Public safety expenditures of \$224,816 (8%).
- Increase in Education expenditures of \$355,404 (2%).
- Increase in Employee and pension benefits expenditures of \$1,246,202 (24%).

The *New Fire/Emergency Management Services (EMS) Headquarters Construction Fund* is used to account for the building of a new public safety facility. The fund has a negative balance of \$545,763 at the end of the fiscal year primarily due to interim financing with a bond anticipation note. The activity in the fund is attributed to expenditures of \$554,639 and transfers in from the General fund of \$8,876. The Town has a

bond anticipation note outstanding of \$1.6 million which is not reflected in the Fund Balance. Permanent financing will be done upon completion which will eliminate the deficit.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2016 was \$28,612,851. This was an increase of \$831,789 (3%) over the previous year's budget.

There was an increase between the total original budget and the total final amended budget. The change is attributed to adjustments voted at many special town meetings for various budget operating line items.

General fund expenditures were less than budgeted by \$877,728. Of the \$877,728 in under budget expenditures, \$539,776 has been carried over to fiscal year 2017.

A negative variance exists in State assessments of \$27,368 as the Town had a higher assessment in charter school than budgeted and lower assessments in special education and in the school choice sending tuitions than budgeted.

The variance with the final budget was a positive \$1,064,560 consisting of a revenue surplus of \$726,608 and an appropriation surplus of \$337,952.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental activities as of June 30, 2016 amounts to \$37,392,847.

The investment in capital assets includes land, construction in progress, buildings and renovations, machinery, equipment and infrastructure.

Major capital events during the current fiscal year in the governmental type funds included the following:

- Town Hall improvements for \$73,955.
- Town-wide energy upgrades for \$2,215,069.
- Police vehicles and equipment purchases for \$124,638.
- Animal control vehicle purchase for \$18,000.
- Radio communications upgrade for \$19,035.
- Land for new Fire/EMS station for \$408,000.
- New Fire/EMS headquarters construction for \$199,639.
- Highway equipment purchase for \$193,999.
- Road infrastructure improvements for \$568,353.
- School playground equipment purchase for \$52,600.
- School lunch equipment purchases for \$20,005.
- School buildings' improvements for \$307,724.
- Library renovations for \$50,928.

Debt Administration. The Town's outstanding governmental debt, as of June 30, 2016, totaled \$6,129,644, of which \$565,461 is for school construction and remodeling projects, \$1,303,010 is for the police station construction and land, \$1,324,935 is for the acquisition of the Hillcrest Country Club, \$562,055 is for water mains, \$136,348 is for Title V septic loans and \$2,237,835 is for energy update equipment lease.

The Town also has capital leases for financing of two fire department vehicles (a truck and an ambulance). The last leases are due in 2019. The Town currently owes \$249,024 on the leases consisting of \$238,418 in principal and \$10,606 in interest.

In addition, the Town has a bond anticipation note outstanding in the amount of \$1.6 million for the new fire/EMS headquarters construction project.

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BASIC FINANCIAL STATEMENTS

TOWN OF LEICESTER, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
CURRENT:	
Cash and Cash Equivalents	\$ 8,954,647
Investments	1,656,751
Cash and Investments in Custody of Others	125,776
Receivables, net of allowance for uncollectibles:	
Property Taxes	428,841
Tax Liens	276,269
Excise Taxes	178,925
Departmental	204,099
Due from Other Governments	489,342
Tax Foreclosures	108,497
Total current assets	<u>12,423,147</u>
NONCURRENT:	
Capital Assets, net of accumulated Depreciation	
Nondepreciable	8,048,657
Depreciable	29,344,190
Total noncurrent assets	<u>37,392,847</u>
Total Assets	<u>49,815,994</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	<u>1,289,181</u>
LIABILITIES	
CURRENT:	
Warrants and Accounts Payable	498,969
Accrued Payroll	1,205,329
Payroll Withholdings	128,724
Tax Refund Payable	109,000
Accrued Interest	60,516
Other	21,781
Compensated Absences	44,043
Notes Payable	1,600,000
Bonds and Leases Payable	745,878
Total current liabilities	<u>4,414,240</u>
NONCURRENT:	
Compensated Absences	380,180
OPEB Obligation Payable	10,019,136
Net Pension Liability	14,929,159
Bonds and Leases Payable	5,622,184
Total noncurrent liabilities	<u>30,950,659</u>
Total Liabilities	<u>35,364,899</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	<u>1,857,658</u>
NET POSITION	
Net Investment in Capital Assets	29,561,133
Restricted for:	
Capital Projects	1,883,330
Federal & State Grants	1,113,068
Permanent Funds	
Expendable	181,097
Nonexpendable	35,847
Other Purposes	1,601,750
Unrestricted	(20,493,607)
Total Net Position	<u>\$ 13,882,618</u>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF LEICESTER, MASSACHUSETTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	Program Revenues			Net (Expenses) Revenues and and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 2,022,310	\$ 164,299	\$ 856,944	\$ 10,000
Public Safety	3,463,568	817,749	267,498	-
Public Works	2,457,583	40,407	109,180	436,117
Education	20,145,756	756,668	12,271,404	83,831
Health and Human Services	273,724	58,013	116,395	-
Culture and Recreation	782,709	12,964	29,182	846,653
Employee and Pension Benefits	8,376,692	-	2,715,479	-
State Assessments	503,182	-	-	-
Interest	210,259	-	-	-
Total Governmental Activities	38,235,783	1,850,100	16,366,082	1,376,601
Total Primary Government	\$ 38,235,783	\$ 1,850,100	\$ 16,366,082	\$ 1,376,601
General Revenues:				
Property Taxes				13,245,331
Motor vehicle excise and other taxes				1,539,459
Penalties & Interest on Taxes				193,196
Grants & Contributions not restricted to specific programs				1,739,400
Unrestricted Investment Income				62,847
Miscellaneous				16,330
Total General Revenues				16,796,563
				(1,846,437)
Change in Net Position				
Net Position:				
Beginning of year				15,729,055
End of year				\$ 13,882,618

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF LEICESTER, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016**

	General Fund	New Fire/EMS Headquarters Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 3,108,040	\$ 1,090,054	\$ 4,756,553	\$ 8,954,647
Investments	1,656,751	-	-	1,656,751
Cash and Investments in Custody of Others	-	-	125,776	125,776
Receivables, net of allowance for uncollectibles:				
Property Taxes	428,841	-	-	428,841
Tax Liens	276,269	-	-	276,269
Excise Taxes	178,925	-	-	178,925
Departmental	-	-	204,099	204,099
Due from Other Governments	128,011	-	361,331	489,342
Tax Foreclosures	108,497	-	-	108,497
Total Assets	\$ 5,885,334	\$ 1,090,054	\$ 5,447,759	\$ 12,423,147
Liabilities:				
Warrants and Accounts Payable	\$ 284,518	\$ 35,817	\$ 178,634	\$ 498,969
Accrued Payroll	1,193,977	-	11,352	1,205,329
Payroll Withholdings	128,724	-	-	128,724
Tax Refund Payable	109,000	-	-	109,000
Other	21,781	-	-	21,781
Notes Payable	-	1,600,000	-	1,600,000
Total Liabilities	1,738,000	1,635,817	189,986	3,563,803
Deferred Inflows of Resources:				
Unavailable Revenue	1,025,452	-	386,628	1,412,080
Fund Balance:				
Nonspendable	-	-	35,847	35,847
Restricted	4,776	-	3,625,944	3,630,720
Committed	-	-	1,209,354	1,209,354
Assigned	923,798	-	-	923,798
Unassigned	2,193,308	(545,763)	-	1,647,545
Total Fund Balance	3,121,882	(545,763)	4,871,145	7,447,264
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 5,885,334	\$ 1,090,054	\$ 5,447,759	\$ 12,423,147

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF LEICESTER, MASSACHUSETTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	New Fire/EMS Headquarters Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 13,188,889	\$ -	\$ -	\$ 13,188,889
Intergovernmental	11,589,986	-	4,916,877	16,506,863
Excise and Other Taxes	1,539,785	-	-	1,539,785
Licenses, Permits and Fees	846,424	-	-	846,424
Charges for Services	-	-	1,507,516	1,507,516
Interest and Penalties on Taxes	193,196	-	-	193,196
Investment Income	62,847	-	531	63,378
Gifts and Donations	-	-	45,155	45,155
Other	-	-	86,668	86,668
Intergovernmental - "On-behalf" Payments	2,532,752	-	-	2,532,752
Total Revenues	29,953,879	-	6,556,747	36,510,626
Expenditures:				
Current:				
General Government	1,349,517	-	2,952,253	4,301,770
Public Safety	3,059,028	554,639	420,347	4,034,014
Public Works	1,118,584	-	693,899	1,812,483
Education	16,667,596	-	3,169,011	19,836,607
Health and Human Services	192,070	-	41,031	233,101
Culture and Recreation	185,269	-	637,032	822,301
Employee and Pension Benefits	6,396,483	-	1,232	6,397,715
State Assessments	503,182	-	-	503,182
Debt Service:				
Principal	629,327	-	-	629,327
Interest	166,819	-	-	166,819
Total Expenditures	30,267,875	554,639	7,914,805	38,737,319
Excess of Revenues Over (Under) Expenditures	(313,996)	(554,639)	(1,358,058)	(2,226,693)
Other Financing Sources (Uses):				
Operating Transfers In	560,939	8,876	872,739	1,442,554
Operating Transfers Out	(881,615)	-	(560,939)	(1,442,554)
Proceeds from Bonds and Notes	-	-	130,314	130,314
Capital Lease	-	-	2,237,835	2,237,835
Total Other Financing Sources (Uses)	(320,676)	8,876	2,679,949	2,368,149
Net Change in Fund Balances	(634,672)	(545,763)	1,321,891	141,456
Fund Balances, Beginning of Year	3,756,554	-	3,549,254	7,305,808
Fund Balances, End of Year	\$ 3,121,882	\$ (545,763)	\$ 4,871,145	\$ 7,447,264

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF LEICESTER, MASSACHUSETTS
Reconciliation of the Governmental Funds Balance Sheet
Total Fund Balances to the Statement of Net Position
For the Year Ended June 30, 2016

Total Governmental Fund Balances		\$ 7,447,264
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.		37,392,847
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.		1,412,080
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.		(568,477)
Long Term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds:		
Bonds and Leases Payable	\$ (6,368,062)	
Other Post Employment Benefits Payable	(10,019,136)	
Net Pension Liability	(14,929,159)	
Compensated Absences	(424,223)	(31,740,580)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in the governmental funds, interest is not reported until due.		(60,516)
Net Position of Governmental Activities		<u><u>\$ 13,882,618</u></u>

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF LEICESTER, MASSACHUSETTS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds **\$ 141,456**

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 are reported as depreciation expense:

Capital Outlay Purchases	\$ 4,251,945	
Depreciation	<u>(2,440,620)</u>	1,811,325

Revenue in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in unavailable revenue. (121,280)

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 effect on net position:

Repayment of Debt and Lease Principal	727,781	
Proceeds from Issuance of Bonds and Notes	(130,314)	
Capital Lease Financing	<u>(2,237,835)</u>	(1,640,368)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Net Change in Compensated Absences	(15,153)	
Net Change in Other Post Employment Benefits	(1,221,883)	
Net Change in Deferred Outflow/(Inflow) of Resources Related to Pensions	(577,348)	
Net Change in Net Pension Liability	(179,746)	
Net Change in Accrued Interest on Long-Term Debt	<u>(43,440)</u>	(2,037,570)

Change in Net Position of Governmental Activities **\$ (1,846,437)**

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF LEICESTER, MASSACHUSETTS
STATEMENT OF REVENUES AND EXPENDITURES - BUDGETARY BASIS -
(NON-GAAP) - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Actual Budgetary Amounts	Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)
	Amounts Carried Forward from Prior Year	Original Budget	Final Budget			
Revenues:						
Property Taxes	\$ -	\$ 13,182,436	\$ 13,249,509	\$ 13,264,889	\$ -	\$ 15,380
Intergovernmental	-	11,505,325	11,505,325	11,589,986	-	84,661
Excise and Other Taxes	-	1,300,000	1,300,000	1,539,785	-	239,785
Licenses, Permits, Fees	-	508,982	508,982	846,424	-	337,442
Interest and Penalties on Taxes	-	160,000	160,000	193,196	-	33,196
Investment income	-	25,000	25,000	41,144	-	16,144
Total Revenues	-	26,681,743	26,748,816	27,475,424	-	726,608
Expenditures:						
Current:						
General Government	245,912	1,264,722	1,527,892	1,349,517	102,868	75,507
Public Safety	434,334	2,702,284	3,365,521	3,059,028	219,076	87,417
Public Works	68,443	1,175,776	1,292,221	1,118,584	110,332	63,305
Education	41,888	16,763,075	16,796,008	16,667,596	97,832	30,580
Health and Human Services	-	209,478	212,250	192,070	-	20,180
Culture and Recreation	6,121	186,236	187,605	185,269	350	1,986
Employee and Pension Benefits	8,939	3,949,163	3,958,102	3,863,731	9,318	85,053
State Assessments	-	475,814	475,814	503,182	-	(27,368)
Debt Service:						
Principal	-	664,308	629,331	629,327	-	4
Interest	-	179,898	168,107	166,819	-	1,288
Total Expenditures	805,637	27,570,754	28,612,851	27,735,123	539,776	337,952
Excess of Revenues Over (Under) Expenditures	(805,637)	(889,011)	(1,864,035)	(259,699)	(539,776)	1,064,560
Other Financing Sources (Uses):						
Operating Transfers In	-	299,694	516,694	560,939	-	44,245
Operating Transfers Out	-	(205,000)	(1,079,355)	(1,079,355)	-	-
Total Other Financing Sources (Uses)	-	94,694	(562,661)	(518,416)	-	44,245
Net Change in Budgetary Fund Balance	(805,637)	(794,317)	(2,426,696)	\$ (778,115)	\$ (539,776)	\$ 1,108,805
Other Budgetary Items:						
Free Cash and Other Reserves	-	794,317	1,621,059			
Prior Year Encumbrances	805,637	-	805,637			
Total Other Budgetary Items	805,637	794,317	2,426,696			
NET BUDGET	\$ -	\$ -	\$ -			

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF LEICESTER, MASSACHUSETTS
Reconciliation of Revenues and Expenditures
from Budgetary Basis to GAAP Basis
For the Year Ended June 30, 2016

	<u>Revenues</u>	<u>Expenditures</u>
Reported on a Budgetary Basis	\$ 27,475,424	\$ 27,735,123
<u>Adjustments:</u>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	21,703	-
Net Decrease in Revenue from recording Refund Taxes Payable	(99,000)	-
Recognition of Intergovernmental Revenue - "on behalf payments"	2,532,752	-
Recognition of Expenditures - "on behalf payments"	-	2,532,752
Net Increase in Revenue from Recording 60-Day Receipts	23,000	-
Reported on a GAAP Basis	<u>\$ 29,953,879</u>	<u>\$ 30,267,875</u>

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF LEICESTER, MASSACHUSETTS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016**

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 4,478	\$ 630,988
District Tax Receivables	-	225,578
Total Assets	4,478	856,566
LIABILITIES		
Warrants Payable	-	64,946
Due to Others	-	5,831
Due to Districts	-	423,257
Due to Student Groups	-	145,717
Escrows and Deposits	-	216,815
Total Liabilities	-	856,566
NET POSITION		
Held in Trust for Other Purposes	\$ 4,478	\$ -

The Notes to the Financial Statements are an integral part of this Statement.

**TOWN OF LEICESTER, MASSACHUSETTS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Private Purpose Trust Funds</u>
Additions:	
Investment Income	\$ 6
Total Additions	<u>6</u>
Deductions:	
Educational Scholarships	<u>-</u>
Total Deductions	<u>-</u>
Change in Net Position	<u>6</u>
Net Position at Beginning of Year	<u>4,472</u>
Net Position at End of Year	<u><u>\$ 4,478</u></u>

The Notes to the Financial Statements are an integral part of this Statement.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Leicester, Massachusetts (the Town) 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 recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Town accounting policies are described herein.

A. Reporting Entity

The Town was incorporated in 1713 under the laws of the Commonwealth of Massachusetts. The Town is governed by an elected five member Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. 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 significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. In Fiscal Year 2016, it was determined that no entities met the required GASB-39 and GASB-61 criteria of component units.

The Town is responsible for electing the governing board of the Leicester Housing Authority. The Town is also responsible for the collection of taxes of the Oxford/Rochdale Sewer District, Cherry Valley/Rochdale Water District, Cherry Valley Sewer District, Leicester Water Supply District, Hillcrest Water District, Hillcrest Sewer District, Burncoat Pond Watershed District, Stiles Water District, and Cedar Meadow Lake Watershed District which are autonomous entities in the Town. These related organizations are excluded from the financial reporting entity because the Town's accountability does not extend beyond the Town electing the board or handling the tax collections of the districts. Audited financial statements are available from the respective organizations. Descriptions of the related organizations are as follows:

Leicester Housing Authority - A public housing agency that provides housing assistance to eligible and qualified low and moderate income families, the elderly and handicapped. The housing authority is an autonomous and self-sufficient agency under the State Executive Office of Communities and Development. The Town has no significant influence over management, budget or policies of the authority.

Oxford/Rochdale Sewer District, Cherry Valley/Rochdale Water District, Cherry Valley Sewer District, Hillcrest Water District, Hillcrest Sewer District, Leicester Water Supply District, Burncoat Pond Watershed District, Stiles Water District and Cedar Meadow Lake Watershed District - Water and sewer districts that provide utility services to the residents of the Town. The districts are autonomous and self-sufficient units under the General Laws of Massachusetts. The Town has no significant influence over management, budget or policies of the districts.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given 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 (1) charges to customers or applicants who

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund financial statements

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

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustment necessary to reconcile ending net position and the change in net position.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues or expenditures/expenses of an individual governmental fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental funds),

and
- If the total assets, liabilities, revenues or expenditures/expenses of the individual governmental funds are at least 5 percent of the corresponding element for all governmental funds combined.

Additionally, any other governmental fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting, as are the fiduciary fund financial statements. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the 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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Under the modified accrual basis concept, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to be used to pay current liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, excises and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 Town reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *new fire/EMS headquarters construction fund* is a capital projects fund used to account for the accumulation of resources to construct a new public safety facility.

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

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise and Trust Funds).

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Additionally, the Town reports the following fund types:

Fiduciary fund 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 programs. The Town reports the following fiduciary funds:

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 benefit individuals, private organizations, or other governments.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

The *agency fund* is used to account for assets held in a purely custodial capacity.

D. Cash and Cash Equivalents

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. 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. The Town maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption, "cash and cash equivalents".

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

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available to the Town. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U. S. Government or agencies that have a maturity of less than one year from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

All investments are carried at fair value.

F. Receivables

The recognition of revenues 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.

Property Taxes and Tax Liens

Property taxes are based on assessments as of January 1, 2015 and include betterments, special assessments and liens. Taxes are used to finance the operations of the Town for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The Town has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the Town sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The Town has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables. Revenues from property taxes are recognized in the fiscal year for which they have been levied.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

The Town mailed preliminary tax bills for fiscal year 2016 on June 30, 2015 that were due on August 3, 2015 and November 2, 2015 and the actual tax bills were mailed on December 31, 2015 were due on February 1, 2016 and May 2, 2016, respectively.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a Town. The legal levy limit under Proposition 2 1/2 for fiscal year 2016 is as follows:

Legal Levy Limit Under Proposition	
2 1/2 for fiscal year 2016	\$ 12,980,784
Add: Debt Exclusion	<u>423,486</u>
	<u>\$ 13,404,270</u>

The total amount raised by taxation was \$13,403,625.

The allowance for uncollectible accounts is estimated based on historical trends and specific account analysis.

Excise Taxes

Excise taxes consist of motor vehicle excise and vessel excise. Excise taxes are assessed annually for each vehicle and vessel registered in the Town and are recorded as receivables in the fiscal year of levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair value of those vehicles. The Board of Assessors of the Town is responsible for determining the value of each vessel.

The tax calculation is the fair market value of the vehicle or vessel multiplied by the \$25 per \$1,000 of value and \$10 per \$1,000 of valuation, respectively.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

Departmental

Departmental receivables consist primarily of ambulance, police off-duty details and Title V septic repair loans. Upon issuance of Title V septic repair loans that were given by the Town to individuals and businesses, a receivable is recorded for the principal amount of the loan.

The allowance for uncollectibles relates to ambulance and police off-duty details are based upon historical trends. The other departmental receivable is considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

Due from Other Governments

Various federal and state grants for operating and capital purposes 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.

These receivables are considered 100% collectible and, therefore, do not report an allowance for uncollectibles.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

G. Capital Assets

Capital assets of the primary government include land, construction in progress, buildings and renovations, machinery, equipment and other, and infrastructure assets (e.g. roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value.

All purchase and construction costs in excess of \$15,000 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 of fixed assets are as follows:

Capital Asset Type	Years
Buildings and improvements	5-50
Machinery, equipment and other	3-10
Infrastructure	20-50

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.

H. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

In the government-wide financial statements, operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of activities.

In the fund financial statements, operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

I. Deferred Outflows/Inflows of Resources

Government-wide financial statements

The government-wide financial statements *Statement of Net Position* includes a separate section, listed below total assets, for *deferred outflows of resources*. This represents the usage of net position applicable for future period(s) and will not be recognized as expenditures until the future period to which it applies. Currently, the only item in this category is *deferred outflows related to pensions*.

In addition to liabilities, the *Statement of Net Position* will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the only item in this category is *deferred inflows related to pensions*.

Fund financial statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*,

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises only under a modified accrual basis of accounting that qualifies in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for the Town's property, excise and other taxes, departmental revenue and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

J. Net Position and Fund Balances

In the Government-Wide financial statements, the difference between the Town's total assets, deferred outflows of resources, total liabilities and deferred inflows of resources represents net position. Net position displays three components – net investment in capital assets; restricted (distinguished between major categories of restrictions); and unrestricted. Unrestricted net position represents the net position available for future operations.

Net position classified as net investment in capital assets, consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Net position has been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

"Federal and state grants" represents amounts restricted by the federal and state government for various programs.

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

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

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

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of those resources.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority, which is the Town meeting action and can be modified or rescinded only through these actions. Committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

Assigned fund balance. This classification reflects the amounts constrained by the Town's "intent" to be used for specific purposes, but are neither restricted nor committed. Department heads and Town board/committees have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When the restricted and other fund balance resources are available for use, it is the Town's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts respectively.

K. Long-term Debt

Long-term debt of the primary government is reported as liabilities in the government-wide statement of net position.

The face amount of governmental funds long-term debt is reported as other financing sources.

L. Compensated Absences

The Town grants to employees sick and vacation leave in varying amounts based upon length of service and in accordance with various individual union contracts. Individuals that have been employed by the Town for twenty years and retire from the Town are provided for 20 days of sick time based upon their current salaries. The school department grants employees sick leave in varying amounts based upon various individual union and employee contracts.

M. Post Retirement Benefits

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's 50% share of insurance premiums in the general fund in the fiscal year paid.

N. Pension Benefits

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 Worcester Regional Retirement System (the System) and the Massachusetts Teachers Retirement System (MTRS) are provided. Additions to and deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the system. For this purpose, benefit payments (including refunds of employee contributions), are recognized when due and payable according with the benefit terms. Investments are reported at their fair value.

O. Use of Estimates

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 revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

An annual budget is adopted for the Town's General Fund. Although legislative approval is required for the acceptance of grants, capital projects, and borrowing authorizations, annual budgets are not prepared for any other fund; therefore, comparison of budget to actual is only presented for the General Fund.

The Town must establish its property tax rate each year so that the property tax rate levy will comply with the limits established by Proposition 2 1/2, as amended, and also equal the sum of (a) the aggregate of all annual appropriations for expenditures, plus (b) provision for prior year deficits, if any, less (c) the aggregate of all non-property tax revenues estimated to be received, including available funds.

The Town follows these procedures in establishing the General Fund budgetary data as reflected in the financial statements:

- Estimates are submitted by departments in accordance with Massachusetts general Laws.
- The budget is legally enacted by vote at the annual Town meeting.
- Supplemental appropriations may be made from available funds after setting of the tax rate with Town meeting approval.
- Throughout the year, appropriations may be transferred between departments with Town meeting approval.

Massachusetts law requires cities and towns to provide a balanced budget. Section 23 of Chapter 59 of the Massachusetts General Laws states, in part,

"The assessors shall annually assess taxes to an amount not less than the aggregate of all amounts appropriated, granted or lawfully expended by their respective towns (cities) since the preceding annual assessment and not provided for therein . . . "

For fiscal year 2016, the Town incurred a final budget deficit of \$2,426,696 for the General Fund.

The Town voted from the following sources to fund the deficit budget during the fiscal year:

Unassigned fund balance:	
Free cash votes	\$ 1,613,059
Overlay surplus	8,000
Prior year's encumbrances	805,637
	<hr/>
	\$ 2,426,696

B. Deficit Fund Balances

The following fund had a deficit at June 30, 2016 as measured by the balance of unreserved fund balance.

- The *New Fire/EMS Headquarters construction fund*, a major fund and capital project fund, for the fire/EMS station project has a deficit of \$545,763. The Town has an outstanding bond anticipation note for \$1.6 million for the project. The deficit will be eliminated upon the issuance of permanent debt.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

3. DETAILED NOTES

A. Deposits, Investments and Cash and Investments in Custody of Trustees

Custodial Credit Risks – Deposits and Investments

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. The Town has a deposit policy for custodial credit risk summarized by the following key guidelines.

- Diversity by institution: no more than 50% of the total cash balance will be invested in a single bank at any one time.
- Participation in any bank not to exceed 10% of the bank's capital and surplus position.
- Investments will routinely be considered in all legal investments: certificates of deposit, money market accounts, purchase agreements, treasury bills, savings and MMDT.
 - To maintain all collected cash balances in interest bearing accounts.
- Participation in MMDT may be 100% of available cash.
- Utilize U.S. Treasuries when rate favorable to MMDT.
- Trust funds may be co-mingled and invested in investments allowed by the legal list issued by the Banking Commissioner each July. Each trust fund must be accounted for separately.
- The stabilization fund shall not exceed ten per cent of the equalized valuation of the Town and any interest shall be added to and become part of the fund.

Deposits at June 30, 2016 were \$10,314,065. Of these, \$1,557,409 are exposed to custodial credit risk as uninsured and uncollateralized.

Investments of funds, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and note proceeds in term deposits and certificates of deposit of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

As of June 30, 2016, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 to 5
Debt Securities:			
U. S. treasury obligations	\$ 80,828	-	80,828
U. S. government agencies	157,027	-	157,027
Corporate bonds	90,383	-	90,383
Money market mutual fund	30,091	30,091	-
	358,329	\$ 30,091	\$ 328,238
Other Investments:			
Equity mutual funds	31,794		
Equity securities - domestic (stocks)	73,861		
Certificate of deposits	1,192,767		
	\$ 1,656,751		

Custodial Credit Risks

For an investment, custodial risk 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. Of the Town's \$1,656,751 in investments, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the Town's name. The Town has no policy on custodial credit risk.

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Town's exposure to credit risk as of June 30, 2016 is as follows:

Related Debt Instruments	Fair Value
Moody's Quality Ratings	
U. S. Treasury Obligations:	
Aaa	\$ 80,828
U. S. Government Agencies:	
Aaa	157,027
Corporate Bonds:	
A2	30,168
Baa1	60,215
Money Market Mutual Funds:	
Not rated	30,091
	<u>\$ 358,329</u>

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in one issuer. More than 5 percent of the Town's total investments are in the Federal Home Loan Mortgage Corp. amounting to 9.48% of the Town's total investments.

Cash and Investments in Custody of Trustees

Cash and investments in custody of trustees are library funds that are in the custody and under the control of the library trustees.

Fair Value of Investments

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.

The Town has the following recurring fair value measurements as of June 30, 2016:

Investment Type	Fair Value	Investment Maturities		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
U. S. treasury obligations	\$ 80,828	\$ 80,828	\$ -	\$ -
U. S. government agencies	157,027	157,027	-	-
Certificates of deposit	1,192,767	1,192,767	-	-
Equity mutual funds	31,794	31,794	-	-
Equity securities - domestic	73,861	73,861	-	-
Money market mutual fund	30,091	30,091	-	-
Corporate bonds	90,383	-	90,383	-
Total Investments	\$ 1,656,751	\$ 1,566,368	\$ 90,383	\$ -

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

Investments classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

B. Receivables

At June 30, 2016, receivables for the individual major governmental funds, non-major governmental funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts of the primary government, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Major and nonmajor governmental funds:			
Property taxes	\$ 433,361	\$ (4,520)	\$ 428,841
Tax liens	276,269	-	276,269
Excise taxes	255,761	(76,836)	178,925
Departmental	1,143,293	(939,194)	204,099
Due from other governments	489,342	-	489,342
Tax foreclosures	108,497	-	108,497
Fiduciary funds:			
District tax receivables	225,578	-	225,578
	<u>\$ 2,932,101</u>	<u>\$ (1,020,550)</u>	<u>\$ 1,911,551</u>

The composition of amounts due from other governments as of June 30, 2016 for governmental funds is as follows:

General Fund:

Commonwealth of Massachusetts:

Department of Elementary and Secondary Education:

Homeless Transportation \$ 10,574

Department of Revenue:

Veterans, blind and surviving spouse 26,517

Department of Veterans Services:

Veterans benefits 90,920 \$ 128,011

Nonmajor Governmental Funds:

U. S. Department of Agriculture:

School lunch 13,555

U. S. Department of Education:

School title grants 12,867

Commonwealth of Massachusetts:

Department of Elementary and Secondary Education:

School lunch 401

School title grants 3,000

Executive Office of Public Safety and Homeland Security 8,746

Massachusetts Department of Transportation:

Highway Department 235,772

Massachusetts Emergency Management Agency 1,300

Massachusetts School Building Authority:

School Building Assistance - capital portion 83,831

Others

1,859 361,331

\$ 489,342

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

C. Deferred Inflows of Resources – Unavailable Revenue

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

General Fund:			
Property taxes	\$	370,841	
Tax liens		276,269	
Excise taxes		178,925	
Due from other governments		90,920	
Tax foreclosures		108,497	\$ 1,025,452
Nonmajor Governmental Funds:			
Departmental	\$	189,232	
Due from other governments		197,396	386,628
			<u>\$ 1,412,080</u>

D. Capital Assets

Capital asset activity for the year ended June 30, 2016, is as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 4,870,740	\$ 408,000	\$ -	\$ 5,278,740
Construction in progress	-	2,769,917	-	2,769,917
Total capital assets not being depreciated	4,870,740	3,177,917	-	8,048,657
Capital assets being depreciated:				
Buildings and Renovations	26,755,194	96,433	-	26,851,627
Machinery, equipment and other	4,916,908	409,242	(99,750)	5,226,400
Infrastructure	65,513,327	568,353	-	66,081,680
Total capital assets being depreciated	97,185,429	1,074,028	(99,750)	98,159,707
Less accumulated depreciation for:				
Buildings and Renovations	17,525,205	796,439	-	18,321,644
Machinery, equipment and other	3,594,552	300,598	(99,750)	3,795,400
Infrastructure	45,354,890	1,343,583	-	46,698,473
Total accumulated depreciation	66,474,647	2,440,620	(99,750)	68,815,517
Total capital assets being depreciated, net	30,710,782	(1,366,592)	-	29,344,190
Total governmental activities capital assets, net	\$ 35,581,522	\$ 1,811,325	\$ -	\$ 37,392,847

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

Depreciation expense was charged to functions/programs of the governmental type activities as follows:

Governmental Activities:

General government	\$ 15,332
Public safety	295,169
Public works	1,412,374
Education	664,629
Health and human services	41,298
Culture and recreation	11,818
Total depreciation expense - governmental activities	<u>\$ 2,440,620</u>

E. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2016, are summarized below:

Transfers Out:	Transfers In:			Total
	General fund	New Fire/EMS Headquarters Construction Fund	Nonmajor Governmental fund	
General fund	\$ -	\$ 8,876	\$ 872,739	\$ 881,615
Nonmajor governmental funds	560,939	-	-	560,939
Total transfers out	<u>\$ 560,939</u>	<u>\$ 8,876</u>	<u>\$ 872,739</u>	<u>\$ 1,442,554</u>

F. Leases

The Town has entered into lease agreements as lessee for financing of two fire department vehicles (a truck and an ambulance). The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets, including any expiring in 2016, acquired through the capital leases are as follows:

Asset:	<u>Governmental Activities</u>
Machinery, Equipment and Other	\$ 550,000
Less: Accumulated Depreciation	(131,608)
Total	<u>\$ 418,392</u>

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016 are as follows:

Year Ending June 30,	Governmental Activities
2017	\$ 107,141
2018	107,141
2019	34,742
Total minimum lease payments	249,024
Less: amount representing interest	(10,606)
Present value of minimum lease payments	<u>\$ 238,418</u>

G. Short-Term Financing

Under the general laws of the Commonwealth and with the appropriate local authorization the Town is authorized to borrow funds on a temporary basis to (1) fund current operations prior to the collection of revenues, by issuing revenue anticipation notes, (2) fund grants prior to reimbursements, by issuing grant anticipation notes, and (3) fund capital projects costs incurred prior to selling permanent debt by issuing bond anticipation notes.

Details related to the short-term debt activity of the governmental type activities are as follows:

Purpose	Interest Rate	Final Maturity Date	Balance July 1, 2015	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2016
Governmental Activities						
Bond Anticipation Note:						
Radio communications upgrade	0.53%	05/12/16	\$ 138,400	\$ -	\$ 138,400	\$ -
Fire/EMS headquarters construction	0.70%	04/12/17	-	1,600,000	-	1,600,000
Total Governmental Activities			<u>\$ 138,400</u>	<u>\$ 1,600,000</u>	<u>\$ 138,400</u>	<u>\$ 1,600,000</u>

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

H. Long Term Debt

General Obligation Debt

The Town issues general obligation debt to provide funds for the acquisition and construction of major capital facilities. General obligation debt has been issued for both governmental activities.

General obligation debt currently outstanding of the governmental type fund is as follows:

	Interest Rate	Date Issued	Final Maturity Date	Original Amount Issued	Outstanding June 30, 2016
Inside Debt:					
Municipal Purpose Loan of 2010:					
Remodel Roofs	4.20%	08/13/10	08/01/20	\$ 388,679	\$ 185,000
U.S. Department of Agriculture:					
School project	3.38%	06/27/12	06/27/42	160,500	147,142
School project	3.38%	06/27/12	06/27/42	254,500	233,319
Refunding Loan of 2015:					
Land Acquisition (Hillcrest Country Club)	1.57%	06/15/15	11/15/23	1,351,271	1,204,422
Land Acquisition (Police)	1.57%	06/15/15	11/15/20	116,944	98,588
Police Station	1.57%	06/15/15	11/15/23	1,485,552	1,324,935
Lease Purchase Agreement of 2015:					
Energy Update Equipment	2.79%	11/10/15	08/01/35	2,237,835	2,237,835
Total Inside Debt					<u>5,431,241</u>
Outside Debt:					
Refunding Loan of 2015:					
Water mains	1.57%	06/15/15	11/15/20	580,000	485,000
Water mains	1.57%	06/15/15	11/15/23	86,233	77,055
Massachusetts Clean Water Trust:					
Title V Septic Repair Program	Various	08/01/01	08/01/19	191,022	39,812
Title V Septic Repair Program	Various	08/01/04	08/01/22	64,592	23,818
Title V Septic Repair Program	0.00%	12/14/06	07/15/26	132,217	72,718
Total Outside Debt					<u>698,403</u>
Total governmental type debt					<u>\$ 6,129,644</u>

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

Future Debt Service

The annual principal and interest payments to retire all governmental type fund general obligation long-term debt outstanding as of June 30, 2016 are as follows:

Year	Principal	Interest	Total
2017	\$ 644,892	\$ 156,689	\$ 801,581
2018	604,483	154,126	758,609
2019	589,532	135,812	725,344
2020	584,794	117,848	702,642
2021	575,324	100,247	675,571
2022-2026	1,537,208	321,081	1,858,289
2027-2031	643,359	194,685	838,044
2032-2036	831,346	93,230	924,576
2037-2041	97,405	13,675	111,080
2042	21,301	719	22,020
	<u>\$ 6,129,644</u>	<u>\$ 1,288,112</u>	<u>\$ 7,417,756</u>

A summary of the changes in governmental activities liabilities during the year is as follows:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due within One Year
Governmental activities:					
Bond/Lease Payable:					
General obligation debt	\$ 4,234,530	\$ 2,237,835	\$ 479,069	\$ 5,993,296	\$ 624,948
Massachusetts Clean Water Trust bonds	156,292	-	19,944	136,348	19,944
Capital lease	336,872	-	98,454	238,418	100,986
Compensated absences	409,070	27,000	11,847	424,223	44,043
OPEB liability obligation	8,797,253	1,221,883	-	10,019,136	-
Net pension liability	14,749,413	179,746	-	14,929,159	-
Governmental activity Long-term liabilities	<u>\$ 28,683,430</u>	<u>\$ 3,666,464</u>	<u>\$ 609,314</u>	<u>\$ 31,740,580</u>	<u>\$ 789,921</u>

Massachusetts Clean Water Trust (MCWT)

The Town is scheduled to be subsidized by the Massachusetts Clean Water Trust (MCWT) on a periodic basis for principal in the amount of \$387,831 and interest costs of \$122,572 for three loans which the Town has borrowed from MCWT. The gross amount outstanding at June 30, 2016 for principal and interest combined for the loan is \$145,024. The Town is scheduled to be subsidized for interest in the amount of \$8,676. The net repayments, including interest, are scheduled to be \$136,348. Since the Town is legally obligated for the total amount of the debt, such amounts for the gross principal have been recorded on the financial statements. The fiscal year 2016 interest subsidies totaled \$3,801.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

Legal Debt Limit

Under Section 10 of Chapter 44 of the Massachusetts General Laws a Town may authorize indebtedness up to a limit of five percent of its equalized valuation of the Town. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The Town's inside debt at June 30, 2016 totaled \$5,431,241.

In addition, the Town is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

Equalized Valuation-Real Estate and Personal Property (2016)		\$ 938,090,200
Debt Limit: 5 % of Equalized value		<u>46,904,510</u>
Total Debt Outstanding	\$ 6,129,644	
Less: Debt Outside Debt Limit	<u>(698,403)</u>	<u>5,431,241</u>
Inside Debt Excess Borrowing Capacity at June 30, 2016		<u>\$ 41,473,269</u>

Loans Authorized and Unissued - Memorandum Only

Under the general laws of the Commonwealth of Massachusetts a Town must authorize debt at a Town meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or Town meeting votes to rescind the authorized debt. Loan authorizations that have not been issued as of June 30, 2016 and are not reflected in the Town's financial statements are as follows:

Date Town Meeting Authorized	Purpose	Amount
01/27/04	Land acquisition, Pleasant Street (Hillcrest Country Club)	\$ 100,000
05/01/12	Town Hall renovations	100,000
05/04/15	Energy updates to municipal and school facilities	19,165
09/15/15	New Fire and EMS headquarters	4,900,000
10/20/15	Library construction	8,900,157
10/20/15	Leicester High School roof replacement	1,684,963
01/26/16	Town Hall elevator	<u>260,100</u>
		<u>\$ 15,964,385</u>

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

I. Fund Balances

The following is a summary of the Town's Governmental fund balances at the year ended June 30, 2016:

	General Fund	New Fire/EMS Headquarters Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Permanent funds	\$ -	\$ -	\$ 35,847	\$ 35,847
Restricted:				
Federal, state and local grants	-	-	1,711,999	1,711,999
School revolving funds	-	-	1,124,434	1,124,434
Town revolving funds	-	-	161,680	161,680
Donations and gifts	-	-	139,077	139,077
Permanent funds	-	-	181,097	181,097
Reserve for debt	4,776	-	-	4,776
Other	-	-	307,657	307,657
	<u>4,776</u>	<u>-</u>	<u>3,625,944</u>	<u>3,630,720</u>
Committed:				
Ambulance reserve	-	-	357,520	357,520
Health insurance fund	-	-	7,303	7,303
Open space fund	-	-	1,257	1,257
Town dog fund	-	-	30,000	30,000
Capital projects	-	-	813,274	813,274
	<u>-</u>	<u>-</u>	<u>1,209,354</u>	<u>1,209,354</u>
Assigned:				
General government	102,868	-	-	102,868
Public safety	219,076	-	-	219,076
Public works	110,332	-	-	110,332
Education	97,832	-	-	97,832
Culture and recreation	350	-	-	350
Employee and pension benefits	9,318	-	-	9,318
Subsequent year's budget	384,022	-	-	384,022
	<u>923,798</u>	<u>-</u>	<u>-</u>	<u>923,798</u>
Unassigned:				
General Fund	2,193,308	-	-	2,193,308
Capital project deficit	-	(545,763)	-	(545,763)
	<u>2,193,308</u>	<u>(545,763)</u>	<u>-</u>	<u>1,647,545</u>
Total Governmental fund balances	\$ 3,121,882	\$ (545,763)	\$ 4,871,145	\$ 7,447,264

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

J. Special Trust Funds

Stabilization Fund

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the Town may for the purpose of creating a stabilization fund appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the Town and any interest shall be added to and become a part of the fund. The stabilization fund may be appropriated in a Town at a Town meeting for any lawful purpose.

At June 30, 2016 the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

General purpose stabilization fund	\$ 642,755
Capital stabilization fund	27
Hillcrest capital stabilization fund	25,109
	<u>\$ 667,891</u>

4. OTHER INFORMATION

A. Risk Management

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. The Town participates in a premium-based health care plan for its active employees. In addition, the Town has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties.

Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Contingent Liabilities

Litigation

Litigation is subject to many uncertainties, and the outcome of individual matters is not always predictable. Although the amount of the liability, if any, at June 30, 2016, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2016.

Federal Financial Assistance

The Town receives significant financial assistance from numerous federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit procedures prescribed under the Single Audit Act Amendments of 1996. Any disallowed expenditures resulting from such audits become a liability of the Town.

The outcome of lawsuits and any findings with respect to disallowed expenditures is not expected to materially affect the financial condition of the Town.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

C. Pension Plan

Plan Description

The Town is a member of the Worcester Regional Retirement System (the System). The System is a cost-sharing multiple-employer public employee retirement system administered by the Worcester Regional Retirement Board (the Board). Massachusetts General Laws (MGL), Chapter 32, assigns authority to establish the System and amend benefit provisions of the plan; which is regulated by the Public Employees Retirement Administration Commission (PERAC). The System is a defined benefit pension plan that covers substantially all employees of its member employers except for current and retired teachers. The System issues a publicly available financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

The Town is a member of the Massachusetts Teachers' Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan, to which the Town does not contribute. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for the contributions and future benefit requirements of the MTRS.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is responsible by statute to make all actuarially determined contributions and future benefit requirements on behalf of the Town to the MTRS. 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 contributor in the MTRS. Since the Town does not contribute directly to MTRS, there is no pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based upon each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2015. The Town's portion of the collective pension expense contributed by the Commonwealth of \$2,532,752 on-behalf payments for the fiscal year ending June 30, 2016 is reported as intergovernmental revenues and employee and pension benefits expenditures in the General Fund as of the measurement date.

Benefits Provided

Both the System and MTRS provide retirement, disability, and death benefits to plan members and beneficiaries. Members become vested after 10 years of creditable service and are eligible for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Retirement benefits are determined as a percentage of the member's final three-year (five-year for members hired on or after April 2, 2012) final average compensation times the member's years of creditable service prior to retirement. The percentage is based on the age of the member at retirement and his or her Group classification. The authority for amending these provisions rests with the Massachusetts Legislature.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost of living adjustments granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth's State law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

Contributions

MGL Chapter 32 governs the contributions of plan members and the Town. Plan members are required to contribute to the System at rates ranging from 5% to 9% based upon their membership date of gross regular compensation with an additional 2% contribution after exceeding \$30,000 in annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The Town's proportionate share of the required contribution to the System for the year ended December 31, 2015 was \$946,178, representing 18.07% of the covered payroll, an actuarially determined amount that, when combined with plan member contributions, is expected to finance the costs of benefits earned by plan members during the year and an additional amount to finance any unfunded accrued liability.

Pension Liability

As of June 30, 2016, a reported liability of \$14,929,159 is the Town's proportionate share of the net pension liability as measured as of December 31, 2015. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014. Accordingly, update procedures were used to roll forward the total pension liability to the measurement date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2015, the Town's proportional percentage was 2.10327%, which was a slight decrease from the last measurement.

Pension Expense

For the year ended June 30, 2016, the Town recognized a pension expense of \$1,703,271 and reported deferred outflows of resources related to pensions of \$1,289,181 from the net difference between projected and actual investment earnings on pension plan investments and deferred inflows of resources related to pensions of \$1,857,658 from the changes in proportion and differences between employer contributions and proportionate share of contributions. Since the System performs an actuarial valuation bi-annually, there are no reported differences between the expected and actual experience or a change of assumptions as of December 31, 2015.

The Town's net deferred outflows/(inflows) of resources related to pensions will be recognized in the pension expense as follows:

For years ended June 30,		
	2017	\$ (130,549)
	2018	(130,549)
	2019	(130,549)
	2020	(129,719)
	Thereafter:	(47,111)
		\$ (568,477)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement that was updated December 31, 2015:

Valuation date	January 1, 2014
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TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

Actuarial cost method	Entry Age Normal
Amortization method	<p><i>Unfunded Actuarial Accrued Liability (UAAL):</i> Increasing dollar amount at 4.0% to reduce the UAAL to zero on or before June 30, 2035.</p> <p><i>2002 & 2003 Early Retirement Incentive (ERI):</i> Increasing dollar amount at 4.5% to reduce the 2002 & 2003 ERI to zero on or before June 30, 2028.</p> <p><i>2010 Early Retirement Incentive (ERI):</i> Increasing dollar amount to reduce the 2010 ERI to zero on or before June 30, 2022.</p>
Remaining amortization period	21 years, except for ERI for 2002 and 2003 (14 years) and 2010 (8 years)
Asset valuation method	<p>The actuarial value of assets is the market value of assets as of the valuation date reduced by the sum of: 80% of the gains and losses of the prior year, 60% of the gains and losses of the second prior year, 40% of the gains and losses of the third prior year, and 20% of the fourth prior year. Investment gains and losses are determined by the excess or deficiency of the expected return over the actual return on the market value. The actuarial valuation of assets is further constrained to be not less than 80% or more than 120% of market value.</p>
Investment rate of return	7.75%, net of pension plan investment expense, including inflation
Projected salary increase	3.0% per year, including longevity
Inflation	Not explicitly assumed for the update to December 31, 2015 (3.5% per year for the actuarial valuation as of January 1, 2014)
Mortality rates	RP-2000 Mortality Table Projected to 2014 with Scale AA RP-2000 Mortality Table set forward two years for disabled members

Long-term Expected Rate of Return

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

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of December 31, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global Equity	40%	8.02%
Fixed income	23%	5.09%
Private Equity	10%	9.50%
Real Estate	10%	6.50%
Timber/Natural Resources	4%	7.07%
Hedge Funds	9%	6.50%
Other	4%	6.18%
Total	100%	

Rate of Return

For the year ended December 31, 2015, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 0.05%. The money-weighted rate of return considers the changing amounts actually invested during a period and weighs the amount of pension plan investments by the proportion of time they are available to earn a return during that period. The rate of return is then calculated by solving, through an iterative process, for the rate that equates the sum of the weighted external cash flows into and out of the pension plan investments to the ending fair value of pension plan investments.

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that member employer contributions will be made in accordance with Section 22D and Section 22F of MGL Chapter 32. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments for 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 Town's proportionate share of the net pension liability calculated using the discount rate of 7.75%. As well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Town's net pension liability	\$ 17,974,917	\$ 14,929,159	\$ 12,342,953

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

D. Other Post Employment Benefits Payable

GASB Statement No. 45

The cost of post employment benefits generally should be associated with the periods in which costs occur rather than in the future year when it will be paid. The Town adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2009, and thus recognizes the cost of post employment benefits in the year when the employee services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the Town's future cash flows.

Plan Description

In addition to providing pension benefits, the Town provided post-employment health care and life insurance benefits for retired employees, their dependents and beneficiaries. The benefits, benefit levels, employee and employer contributions are governed by Massachusetts General Law chapter 32. There are approximately 519 active and retired employees that meet the eligibility requirements. The plan does not issue a separate financial report.

Funding Policy

The contribution requirements of plan members and the Town are established pursuant to applicable collective bargaining and employment contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2016 fiscal year, the Town provided required contributions of \$813,311 towards the annual OPEB cost, comprised of benefit payments made on behalf of retirees (net of reinsurance), administrative expenses and reinsurance payments, and net of retiree contributions.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other post employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 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 (30) years. The following table shows the components of the Town's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Town's net OPEB obligation to the plan:

Annual required contribution	\$ 2,097,013
Interest on net OPEB obligation	351,890
Adjustment to annual required contribution	<u>(413,709)</u>
Annual OPEB cost (expense)	2,035,194
Contributions made during the fiscal year	<u>(813,311)</u>
Increase in net OPEB obligation	1,221,883
Net OPEB Obligation - beginning of year	8,797,253
Net OPEB Obligation - end of year	<u><u>\$ 10,019,136</u></u>

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2016 fiscal year and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/16	\$ 2,035,194	40.0%	\$ 10,019,136
06/30/15	\$ 1,761,824	43.1%	\$ 8,797,253
06/30/14	\$ 1,704,073	40.7%	\$ 7,795,216

Funded Status and Funding Process

As of January 1, 2015, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$23,822,000, and the actuarial value of assets was \$0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$23,822,000. The covered payroll (annual payroll of active employees covered by the plan) was \$14,384,000, and the ratio of the UAAL to the covered payroll was 165.6%.

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 contribution 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 about whether the actuarial value of plan assets is increasing or decreasing over time relative to the Actuarial accrued liabilities for benefits.

Actuarial 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 employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Town OPEB actuarial valuation as of January 1, 2015, used a projected unit credit actuarial cost method. The OPEB liability is currently unfunded and the actuarial assumptions include a 4.0% rate of return on invested assets, a 4.0% discount rate and average salary increase of 3.25%. The Commercial managed care trends begin at 7% and scale down to 5.0% per year, for Medicare, the managed care trends begin at 7.69% and scale down to 5.0% per year, while Indemnity trends begin at 18.18% and scale down to 5% per year.

The unfunded actuarial accrued liability is being amortized over 30 years on a level percentage of payrolls. The remaining amortization period at June 30, 2016 is 23 years.

E. Implementation Of New GASB Pronouncements

The GASB issued Statement No. 72, *Fair Value Measurement and Application*, for implementation in 2016.

The GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, for implementation in 2016.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2016

F. Future GASB Pronouncements

Management is currently assessing the impact the implementation of the following pronouncements will have on the basic financial statements.

The GASB issued Statement No. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, for implementation in fiscal year 2017.

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, for implementation in fiscal year 2018.

The GASB issued Statement No. 77, *Tax Abatement Disclosures*, for implementation in fiscal year 2017.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF LEICESTER, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Worcester Regional Contributory Retirement System
For the Year Ended June 30, 2016

The Schedule of Proportionate Share of the Net Pension Liability represents multiyear trend information relating to the Town's proportion of the net pension liability and related ratios.

Schedule of the Town's Proportionate Share of the Net pension Liability:

	<u>12/31/15</u>	<u>12/31/14</u>
Town's proportion of the net pension liability (asset)	2.10327%	2.47861%
Town's proportionate share of the net pension liability (asset)	\$ 14,929,159	\$ 14,749,413
Town's covered employee payroll	\$ 5,236,988	\$ 5,035,565
Net pension liability percentage of covered-employee payroll	285.07%	292.90%
Plan fiduciary net position as a percentage of the total pension liability	44.52%	47.94%

Note: these schedules are intended to present information for 10 years.
Until a 10-year trend is compiled, the information is presented for those years the information is available.

TOWN OF LEICESTER, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Worcester Regional Retirement System
For the Year Ended June 30, 2016

The Schedule of the Employer Contributions presents multiyear trend information on the Town's required and actual payments to the pension plan and related ratios.

Schedule of the Town's Contributions:

	<u>12/31/15</u>	<u>12/31/14</u>
Actuarially determined contribution	\$ 946,178	\$ 979,523
Less: Contributions in relation to the actuarially determined contribution	<u>(946,178)</u>	<u>(979,523)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered employee payroll	\$ 5,236,988	\$ 5,035,565
Contributions percentage of covered-employee payroll	18.07%	19.45%

Note: these schedules are intended to present information for 10 years.
Until a 10-year trend is compiled, the information is presented for those
years the information is available.

TOWN OF LEICESTER, MASSACHUSETTS
Required Supplementary Information
Other Post-Employment Benefit Plan Schedule
Year Ended June 30, 2016

Schedule of Funding Progress

Other Post Employment Benefits							
Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability (AAL) Entry Aid (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)	
07/01/15	\$ -	\$ 23,822,000	\$ 23,822,000	0.0%	\$ 14,384,000	165.6%	
07/01/13	\$ -	\$ 21,462,181	\$ 21,462,181	0.0%	\$ 14,866,000	144.4%	
7/1/2011	\$ -	\$ 23,145,297	\$ 23,145,297	0.0%	\$ 15,247,000	151.8%	

Schedule of Contribution Funding

Other Post Employment Benefits			
Fiscal Year Ended June 30	Annual OPEB Cost	Actual Contributions Made	Percentage Contributed
2016	\$ 2,035,194	\$ 813,311	40.0%
2015	\$ 1,761,824	\$ 759,787	43.1%
2014	\$ 1,704,073	\$ 693,264	40.7%

The information presented in the above Required Supplementary Schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation can be found in the Notes to the Financial Statements.

Actuarial Methods:

Valuation date	January 1, 2015
Actuarial cost method	Projected Unit Credit Actuarial Cost method
Amortization method	24 years for unfunded/30 years for funded

Actuarial Assumptions:

Discount rate	4.0% annually
Interest rate	4.0% per year
Projected salary increases	3.25% applied for amortization purposes.
Medical/drug cost trend rate	The Commercial managed care trends begin at 7% and scale down to 5.0% per year, the Medicare managed care trends begin at 7.69% and scale down to 5.0% per year, while Indemnity trends begin at 18.18% and scale down to 5% per year.

Plan Membership:

Current active members	291
Current retirees, beneficiaries and dependents	228
Total	519

SUPPLEMENTARY SCHEDULES

TOWN OF LEICESTER, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Fund Balances July 1, 2015	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2016
Special Revenue:					
<i>Federal and State Grants:</i>					
School Grants	\$ 29,545	\$ 667,330	\$ 677,659	\$ -	\$ 19,216
Board of Health Grants	12,660	-	-	-	12,660
Community Development Block Grants	-	639,846	639,846	-	-
Council on Aging Grants	4,002	23,999	22,999	(2)	5,000
Highway Grants	-	582,353	582,353	-	-
Library Grants	35,131	16,260	2,983	-	48,408
Other Grants and Programs	4,503	78,535	75,034	-	8,004
Public Safety Grants	4,518	112,941	103,508	(12)	13,939
Schools:					
School Lunch Program	5,495	626,630	567,952	-	64,173
School Lunch Commodities	-	58,090	58,090	-	-
Revolving Accounts	282,475	419,028	274,130	-	427,373
School Choice	648,640	564,881	580,633	-	632,888
State Special Education Reimbursement Fund	580,596	817,747	790,916	-	607,427
Other:					
Ambulance Reserve	365,739	388,781	-	(397,000)	357,520
Conservation Commission Fees	25,175	3,883	388	(2,750)	25,920
Revolving Funds	150,104	118,881	103,664	(3,641)	161,680
Gifts and Donations	175,759	45,155	81,837	-	139,077
Insurance Reimbursements	-	66,047	16,047	(50,000)	-
Leicester Cable Funds	157,451	110,847	67,281	-	201,017
Outside Detail Revolving	549	216,867	217,416	-	-
RDTF Seizures Released	59,367	18,380	37,613	-	40,134
Sale of Cemetery Lots	9,260	-	-	-	9,260
Septic Repair Programs	189,896	4,771	-	-	174,723
Town Dog Fund	79,883	23,861	-	(19,944)	30,000
Waterway Improvement Fund	7,830	-	-	(73,744)	7,830
Arts Council Fund	12,648	10,632	11,131	-	12,149
Capital Expenditures Fund	3,441	5	-	-	3,446
Health Insurance Fund	8,531	4	1,232	-	7,303
Open Space Fund	1,255	2	-	-	1,257
Post War Rehabilitation Fund	1,729	2	302	-	1,429
Total Special Revenue	\$ 2,856,182	\$ 5,615,758	\$ 4,913,014	\$ (547,093)	\$ 3,011,833

TOWN OF LIECESTER, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Fund Balances July 1, 2015	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2016
Capital Projects:					
Fire/EMS Needs & Facility Studies	\$ 6,900	\$ -	\$ -	\$ (6,900)	\$ -
Leicester High School Roof	-	83,831	152,171	844,658	776,318
Library Construction	-	847,254	50,927	-	796,327
Middle Windows/Doors	2,339	-	-	(2,339)	-
Police Station Construction	4,837	-	-	(4,837)	-
Radio Communications Upgrade	(111,279)	-	19,035	130,314	-
Town Hall Renovations	8,646	-	-	28,311	36,957
Town/School Energy Upgrades	-	10,000	2,215,069	2,237,835	32,766
Total Capital Projects	(88,557)	941,085	2,437,202	3,227,042	1,642,368
Perpetual Permanent Funds:					
Cherry Valley Cemetery Perpetual Care	18,819	-	-	-	18,819
Dorothy Warren Fund	17,028	-	-	-	17,028
Total Perpetual Permanent Funds	35,847	-	-	-	35,847
Permanent Funds:					
Cherry Valley Cemetery Perpetual Care	4,153	34	166	-	4,021
Dorothy Warren Fund	153	26	-	-	179
Newhall Fund	19,082	29	-	-	19,111
I. H. Thomas Fund	1,508	2	-	-	1,510
Southgate Fund	30,455	45	-	-	30,500
In Custody of Library Trustees:					
Library Funds	690,431	(232)	564,423	-	125,776
Total Permanent Funds	745,782	(96)	564,589	-	181,097
Total Non-Major Governmental Funds	\$ 3,549,254	\$ 6,556,747	\$ 7,914,805	\$ 2,679,949	\$ 4,871,145

TOWN OF LEICESTER, MASSACHUSETTS
SCHEDULE OF REAL ESTATE AND PERSONAL PROPERTY TAXES
JULY 1, 2015 TO JUNE 30, 2016

	Uncollected Taxes July 1, 2015	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2016	Uncollected Taxes Per Detail June 30, 2016
Real Estate Taxes:						
Levy of 2016	\$ -	\$ 12,980,285	\$ 106,303	\$ 12,552,651	\$ 321,331	\$ 322,359
Levy of 2015	298,527	-	80,066	145,732	72,729	73,022
Levy of 2014	8,566	-	-	2,806	5,760	7,347
Levy of 2013	6,357	-	-	299	6,058	6,058
Levy of 2012	5,421	-	-	-	5,421	5,421
Prior Years	17,365	-	6,732	-	10,623	7,593
	336,226	12,980,285	193,101	12,701,488	421,922	421,800
Personal Property Taxes:						
Levy of 2016	-	450,829	2,596	444,438	3,795	3,795
Levy of 2015	5,092	-	558	3,014	1,520	1,520
Levy of 2014	2,041	-	476	23	1,542	1,542
Levy of 2013	1,285	-	516	(360)	1,129	1,129
Levy of 2012	1,249	-	116	100	1,033	1,033
Prior Years	2,555	-	73	62	2,420	2,420
	12,222	450,829	4,335	447,277	11,439	11,439
Total Real Estate and Personal Property Taxes	\$ 348,448	\$ 13,431,114	\$ 197,436	\$ 13,148,765	\$ 433,361	\$ 433,239

TOWN OF LEICESTER, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE AND BOAT EXCISE TAXES
JULY 1, 2015 TO JUNE 30, 2016

	Uncollected Taxes July 1, 2015	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2016	Uncollected Taxes Per Detail June 30, 2016
Motor Vehicle Excise Taxes:						
Levy of 2016	\$ -	\$ 1,297,099	\$ 26,708	\$ 1,131,401	\$ 138,990	\$ 139,106
Levy of 2015	145,373	149,604	13,503	250,923	30,551	30,481
Levy of 2014	24,790	-	1,109	11,458	12,223	12,222
Levy of 2013	13,171	84	178	3,949	9,128	9,128
Levy of 2012	5,496	-	-	1,272	4,224	4,224
Prior Years	60,529	-	(272)	2,854	57,947	57,947
	<u>249,359</u>	<u>1,446,787</u>	<u>41,226</u>	<u>1,401,857</u>	<u>253,063</u>	<u>253,108</u>

Boat Excise Taxes:						
Levy of 2016	-	2,974	270	1,907	797	797
Levy of 2015	1,141	-	93	756	292	292
Levy of 2014	424	-	-	10	414	414
Levy of 2013	266	-	-	-	266	266
Levy of 2012	240	-	-	-	240	240
Prior Years	744	-	-	55	689	689
	<u>2,815</u>	<u>2,974</u>	<u>363</u>	<u>2,728</u>	<u>2,698</u>	<u>2,698</u>

Total Motor Vehicle and Boat Excise Taxes	\$ 252,174	\$ 1,449,761	\$ 41,589	\$ 1,404,585	\$ 255,761	\$ 255,806
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TOWN OF LEICESTER, MASSACHUSETTS
SCHEDULE OF TAX LIENS AND TAX FORECLOSURES
JULY 1, 2015 TO JUNE 30, 2016

	Uncollected Accounts July 1, 2015	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2016	Uncollected Accounts Per Detail June 30, 2016
Tax Liens	\$ 240,256	\$ 96,694	\$ -	\$ 60,681	\$ 276,269	\$ 271,630
Tax Foreclosures	\$ 148,082	\$ -	\$ -	\$ 39,585	\$ 108,497	\$ 108,497