

TOWN OF LEICESTER, MASSACHUSETTS
MANAGEMENT LETTER
FOR THE YEAR ENDED JUNE 30, 2020

TOWN OF LEICESTER, MASSACHUSETTS

Management Letter

Year Ended June 30, 2020

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To the Board of Selectmen
Town of Leicester
Leicester, Massachusetts

Dear Members of the Board:

In planning and performing our audit of the basic financial statements of the Town of Leicester as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Leicester's internal accounting control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We have already discussed these comments and suggestions with Town personnel. We will be pleased to discuss them in further detail and to assist you in implementing the recommendations.

This communication is intended solely for the information and use of the management, the Board of Selectmen, others within the entity and the Commonwealth of Massachusetts Department of Revenue and is not intended to be and should not be used by anyone other than these specified parties.

Scanlon and Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts

March 25, 2021

CURRENT YEAR COMMENTS AND RECOMMENDATIONS – Other Matters

1. Covid-19 – Impact on Operations and Procedures

Comment:

In March 2020, the Massachusetts Governor declared a state of emergency in response to the Covid-19 pandemic. The Covid-19 outbreak in the United States has resulted in economic uncertainties and has impacted operations for various business and governments in the Commonwealth. As a result of Covid-19's impact on the Town's operations we like to remind the Town of the following:

- There are various federal and state grants that have become available in response to the Covid-19 pandemic. These grants come with various compliance (i.e. single audit and procurement) and reporting requirements. The Town does have procedures and policies in place to properly account and identify federal and state grants. It's very important that the Town adheres to its policies and procedures with regard to these Covid-19 grants as it will have significant impact on its reporting and compliance requirements.
- Unemployment Fraud – Fraudsters will take advantage of any situation they can and the Covid-19 pandemic is no exception. Unemployment fraud is on the increase in Massachusetts as a result of Covid-19's impact on businesses. The Town should implement procedures to review unemployment notices and charges to ensure no fraudulent activity has occurred. Furthermore, if a fraud has occurred procedures should be implemented to properly track the fraudulent charges and the proper credit is given. These new procedures can be time consuming.
- As a result of the closure of the Town Hall various personnel have been working remote and this can impact departmental, vendor and resident interactions and transactions. It is important that the Town follow its procedures and controls in place for its significant accounts and transactions. The following are some examples of controls and procedures, (not a full comprehensive list):
 - Signatures approving expenditures and payrolls
 - Timely reconciliations of cash and investments
 - Timely reconciliations of receivables
 - Reimbursements for expenditures purchased by employees
 - Receipts are properly documented and turned over to the Town's Treasury
 - Invoices are paid timely and are reported in the correct accounting period
 - Procurement laws are followed
- Inventory of Equipment – As a result of remote learning and working remotely the School Department has purchased additional equipment (technology and other) to achieve operating effectiveness. These purchases can be significant investment for the School. We recommend the School maintain inventory over equipment purchased and perform a hard count at year-end to ensure safeguarding of the Town's equipment.

During this pandemic it can be tempting and easy to justify overriding the Town's internal controls, policies and procedures in place. We would like to remind the Town it is at times like this their controls, policies and procedures are at its utmost importance to be followed.

2. Implementation of Future GASB Statements

Comment:

In an effort to enhance financial information of a government's financial statements, the GASB is continually issuing new pronouncements that will effect what is required to be reported in a government's financial statements. Over the past couple years GASB has been active in developing new standards. It is important that the Town be aware of the current and future statements. The following are some of new GASB pronouncements that will be required to be implemented in future fiscal years:

- GASB Statement No. 84 – *Fiduciary Activities*. This statement is required to be implemented in fiscal year 2020 (revised to 2021).
- GASB Statement No. 87 – *Leases*. This statement is required to be implemented in fiscal year 2021(revised to 2022).

Given the significant impact of these GASB statements on the Town's financial accounting and reporting, we recommend that the Town familiarize and educate themselves with the aforementioned statements to ensure proper implementation.

3. Other Areas

- Review veteran, blind and surviving spouse exemption reimbursement revenue (MDM-1) for 2020.

PRIOR YEAR COMMENTS AND RECOMMENDATIONS

1. Individual Bank Statement Reconciliations

Prior Year Comment:

The Town has procedures in place to reconcile the cash accounts on the Town Accountant's general ledger to the Treasurer's cash records on a monthly basis. During our audit we reviewed and tested the cash reconciliation process. We noted that improvements could be made with regard to documenting and reviewing each reconciling item utilized on the individual bank statement reconciliations. We communicated these matters to personnel during our fieldwork.

Status - Fiscal Year 2020 Audit:

The Town has made improvements to the individual bank statement reconciliations which has rectified the above situation.

2. Agency Accounts

Prior Year Comment:

During our audit we found that there is a lack of reconciliation of agency accounts. Agency accounts are used to report resources held by a Town in a purely custodial capacity. They usually involve only a receipt and the remittance of the receipt to individuals, private organizations or other governments.

We recommend all agency accounts be reconciled on a periodic basis and operate in accordance with the agency definition.

Status- Fiscal Year 2020 Audit:

The Town has researched and reconciled some of the agency accounts. We recommend they continue to research and reconcile the remaining agency accounts.

3. Internal Control Policies and Procedures Manual

Prior Year Comment:

During our audit we noted that most departments do not maintain a formal internal control policies and procedures manual that documents day-to-day activities and controls utilized within their respective department. An internal control policies and procedures manual would assist each department head with training, documenting and assuring the continuity of operational policies and procedures that have been approved by management of the Town to ensure achievement of its objectives.

Status- Fiscal Year 2020 Audit:

The situation remains the same. However, the Town has taken our recommendation under advisement.

4. Ambulance Receivable

Prior Year Comment:

During our audit we noted that there is a significant amount of aged ambulance accounts receivable. As of June 30, 2018, there is approximately \$1,122,565 of ambulance accounts receivables outstanding and of that accounts that exceed 120 days old is \$992,301 (approximately 88%). The Town is still in the process of reviewing the older accounts and it is anticipated the older accounts receivable will be abated sometime in fiscal year 2019.

We recommend that the Town's management review and monitor the aged ambulance accounts receivable.

Status- Fiscal Year 2019 Audit:

The same condition exists. As of June 30, 2019, there is approximately \$1,056,200 of ambulance accounts receivables outstanding and of that accounts that exceed 120 days old is \$877,547 (approximately 83%). The Town is still in the process of reviewing the older accounts.

Status- Fiscal Year 2020 Audit:

The Town has reviewed the older accounts and has approved abatements for the older accounts. This was completed and posted in fiscal year 2021.

TOWN OF LEICESTER, MASSACHUSETTS
Report on the Examination of Basic Financial Statements
For the Year Ended June 30, 2020

TOWN OF LEICESTER, MASSACHUSETTS
Report on the Examination of Basic Financial Statements
For the Year Ended June 30, 2020

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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, 2020, 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, 2020, 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 March 30, 2021, 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 and Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts

March 30, 2021

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, 2020. 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 liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by \$3,590,828 (net position) for the fiscal year reported. This compares to the previous year when liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by \$4,081,802, or an increase of \$490,974 (12%).
- At the close of the current fiscal year, the Town's total governmental funds reported total ending fund balance of \$7,943,820 this year, an increase of \$469,603 (6%).
- The General Fund's total fund balance increased \$433,683 (10%) to \$4,572,742. The ending General fund balance is 13% of revenues, transfers in and sale of Town property; and 13% of expenditures and transfers out.
- Total liabilities of the Town decreased by \$480,686 (1%) to \$69,492,639 during the fiscal year. This was mainly attributed to increases in the other postemployment benefit (OPEB) liability of \$509,711 and in the pension liability of \$296,861 and a decrease in bonds and leases payable of \$1,263,594.
- The Town had General fund free cash certified by the Department of Revenue in the amount of \$2,127,848. The key factors that attributed to the free cash amount for fiscal year 2020 were unexpended/unencumbered appropriations of \$411,900, excess over budget state and local receipts of \$755,100 and excess over budget other financing sources of \$143,500 and prior year free cash not appropriated of \$1,005,900.

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		
	2020	2019	Change
Assets:			
Current assets	\$ 14,102,226	\$ 13,028,388	\$ 1,073,838
Capital assets	50,108,440	49,730,210	378,230
Total assets	64,210,666	62,758,598	1,452,068
Deferred Outflows of Resources	5,825,585	4,906,962	918,623
Liabilities:			
Current liabilities (excluding debt and lease)	2,842,621	2,666,622	175,999
Current debt and lease	2,442,790	2,686,899	(244,109)
Noncurrent liabilities (excluding debt and lease)	53,381,609	52,551,395	830,214
Noncurrent debt and lease	10,825,619	12,068,409	(1,242,790)
Total liabilities	69,492,639	69,973,325	(480,686)
Deferred Inflows of Resources	4,134,440	1,774,037	2,360,403
Net Position:			
Net Investment in Capital Assets	36,896,603	35,051,418	1,845,185
Restricted	4,296,134	4,360,964	(64,830)
Unrestricted	(44,783,565)	(43,494,184)	(1,289,381)
Total net position	\$ (3,590,828)	\$ (4,081,802)	\$ 490,974

Financial Highlights
Statement of Activities Highlights

	Governmental Activities		
	2020	2019	Change
Program Revenues:			
Charges for services	\$ 2,786,266	\$ 2,435,124	\$ 351,142
Operating grants and contributions	17,472,130	16,956,942	515,188
Capital grants and contributions	2,476,571	3,386,229	(909,658)
General Revenues:			
Property taxes	16,502,153	15,452,884	1,049,269
Motor vehicle and other excise taxes	2,043,391	2,039,538	3,853
Penalties and interest on taxes	145,453	206,812	(61,359)
Nonrestricted grants	1,861,690	1,875,118	(13,428)
Unrestricted investment income	87,772	122,077	(34,305)
Miscellaneous	2,705	74,329	(71,624)
Gain/(Loss) on Sale of Capital Assets	141,000	109,875	31,125
Total revenues	43,519,131	42,658,928	860,203
Expenses:			
General government	1,749,018	2,450,502	(701,484)
Public safety	4,186,923	3,915,325	271,598
Public works	2,857,278	2,704,990	152,288
Education	21,313,197	20,899,651	413,546
Health and human services	293,513	306,619	(13,106)
Culture and recreation	307,945	273,131	34,814
Employee and pension benefits	11,253,795	10,934,208	319,587
State assessments	637,381	617,293	20,088
Interest	429,107	457,425	(28,318)
Total expenses	43,028,157	42,559,144	469,013
Change in net position	490,974	99,784	391,190
Net position - beginning of year	(4,081,802)	(4,181,586)	99,784
Net position - end of year	\$ (3,590,828)	\$ (4,081,802)	\$ 490,974

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$3,590,828 at the close of fiscal year 2020.

Net position of \$36,896,603 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, \$4,296,134 represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of *unrestricted net position* (\$44,783,565).

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 increased by \$490,974 (6%) during the current fiscal year. The key elements of the increase in net position for fiscal year 2020 are attributed to net increases in the acquisition of \$3,587,415 in new capital assets exceeding the depreciation expense (normally spread out over the useful life of the asset) for the year of \$3,209,185, in the governmental fund balances of \$469,603 and in debt and leases of \$1,263,594; and decreases in recognizing this year's changes in the deferred outflow/(inflow) of resources related to OPEB of \$983,406 and related to pensions of \$458,374 and from the change in the OPEB liability of \$509,711.

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 \$7,943,820 this year, an increase of \$469,603 (6%) 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 – \$3,656,403 (46%).
- Committed fund balance – \$656,324 (8%).
- Assigned fund balance – \$753,437 (9%).
- Unassigned fund balance – \$2,841,809 (36%).

At the end of the fiscal year, the *General Fund* reported a fund balance of \$4,572,742 increasing \$433,683 (10%) from the prior year. Of the \$4,572,742, the unassigned amount is \$3,819,305 (84%) and the assigned amount is \$753,437 (16%). General fund revenues of \$35,948,555 were \$1,977,269 (6%) more than the prior fiscal year and expenditures of \$36,049,408 also increased by \$2,429,811 (7%). Other activities in the General Fund were net transfers from other funds of \$393,536 and the sale of town property of \$141,000.

The main components of the increases in general fund revenues as compared to the prior year are related increases in property taxes of \$818,217 (5 and in intergovernmental "on-behalf payments of \$904,554 (25%).

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

- Increase in General governmental expenditures of \$289,600 (21%).
- Increase in Education expenditures of \$1,002,448 (6%).
- Increase in Employee and pension benefits' expenditures of \$851,039 (10%).
- Increase in Debt service expenditures (principal and interest) of \$264,375 (20%).

The *New Fire/EMS Headquarters Construction Fund* is used to account for the construction of a new fire department facility. The fund has a deficit balance of \$655,923 and shows a decrease of \$697,670 in total operations from the expenditures. The Town has a bond anticipation note outstanding of \$700,000 which is not reflected in the Fund Balance. Permanent financing will be done upon completion of the project.

General Fund Budgetary Highlights

The final general fund budget for fiscal year 2020 was \$32,469,519. This was an increase of \$1,298,204 (4%) 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 the Special Town Meeting in October 2019 and the Annual Town Meeting in June 2020 for various budget operating line items.

General fund expenditures were less than budgeted by \$919,979. Of the \$919,979 in under budget expenditures, \$508,129 has been carried over to fiscal year 2021.

There are negative variances in interest on taxes of \$49,547 and in investment income of \$16,931 as expectations (budget) were higher than the receipts.

There is a negative variance in state assessments of \$77,935 due to higher assessments in the Registry of Motor Vehicle non-renewal surcharge of \$3,640 and in the school choice sending tuitions of \$3,387 and lower assessments in the special education tuitions of \$955 and in the charter school sending tuitions of \$84,007 than the actual payments.

Overall, the variance with the final budget was a positive \$1,173,406 consisting of a revenue surplus of \$761,556 and an appropriation surplus of \$411,850.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental activities as of June 30, 2020 amounts to \$50,108,440.

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 equipment purchase for \$29,046.
- Town Hall improvements for \$661,381.
- Town Hall parking lot paving for \$86,380.
- Town Buildings energy improvements for \$115,379.
- Police vehicle and equipment purchases for \$122,562.
- Fire Department/EMT Facility construction for \$697,670.
- Fire Department equipment purchases for \$94,949.
- Highway vehicle and equipment purchases for \$398,583.
- Road infrastructure improvements for \$533,537.
- Leicester Middle School feasibility for \$520,408.
- Pre-School renovations for \$101,882.
- Parks and Courts resurfacing for \$71,312.
- Library renovations for \$154,326.

Debt Administration. The Town's outstanding governmental debt, as of June 30, 2020, totaled \$11,980,943, of which \$376,017 is for school construction and remodeling projects, \$8,129,757 is for building construction, \$677,904 is for land purchases, \$132,339 is for water mains, \$700,000 for departmental equipment, \$56,572 is for Title V septic loans and \$1,908,354 is for energy update equipment lease.

The Town also has capital leases for financing of a fire department truck and highway equipment. The last lease is due in 2021. The Town currently owes \$90,081 on the leases consisting of \$87,466 in principal and \$2,615 in interest.

In addition, the Town has bond anticipation notes outstanding in the amount of \$1.2 million (\$700,000 for the New Fire/EMS headquarters construction project and \$500,000 for the middle school feasibility study).

Please refer to notes 3D, 3F, 3G and 3H for further discussion of the major capital and debt activity.

Next Year's Annual Town Meeting

The Town of Leicester operates under the "Open Meeting" concept where each voter has an equal vote in adopting of Town budgets and appropriations. The financial statements for June 30, 2020 do not reflect the fiscal year 2021 Town Meeting action with the exception of the free cash amount. The Annual Town Meeting on June 2, 2020 authorized a fiscal year 2021 operating and capital budget as follows:

From the tax levy		\$	30,492,235
From Other Available Funds:			
General Fund:			
Unassigned fund balance:			
Free cash			245,308
Non-major Governmental Funds:			
Ambulance Reserve	\$	371,192	
Conservation Commission Fees		9,991	
Leicester Cable Funds		102,925	484,108
			<hr/>
		\$	<u>31,221,651</u>

Requests for Information

This financial report is designed to provide a general overview of the Town of Leicester's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Accountant, Town Hall, 3 Washburn Square, Leicester, Massachusetts 01524.

BASIC FINANCIAL STATEMENTS

TOWN OF LEICESTER, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government Governmental Activities
ASSETS	
CURRENT:	
Cash and Cash Equivalents	\$ 8,892,301
Investments	2,210,606
Cash and Investments in Custody of Others	131,669
Receivables, net of allowance for uncollectibles:	
Property Taxes	561,633
Tax Liens	722,524
Excise Taxes	217,770
Departmental	395,978
Due from Other Governments	867,656
Tax Foreclosures	102,089
Total current assets	<u>14,102,226</u>
NONCURRENT:	
Capital Assets, net of accumulated Depreciation	
Nondepreciable	14,748,303
Depreciable	<u>35,360,137</u>
Total noncurrent assets	<u>50,108,440</u>
Total Assets	<u>64,210,666</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	1,638,892
Deferred Outflows Related to OPEB	<u>4,186,693</u>
Total Deferred Outflows of Resources	<u>5,825,585</u>
LIABILITIES	
CURRENT:	
Warrants and Accounts Payable	1,047,757
Accrued Payroll	1,431,455
Payroll Withholdings	161,380
Accrued Interest	135,145
Other	21,781
Compensated Absences	45,103
Bond Anticipation Notes Payable	1,200,000
Bonds and Leases Payable	<u>1,242,790</u>
Total current liabilities	<u>5,285,411</u>
NONCURRENT:	
Compensated Absences	401,925
Net OPEB Liability	33,758,434
Net Pension Liability	19,221,250
Bonds and Leases Payable	<u>10,825,619</u>
Total noncurrent liabilities	<u>64,207,228</u>
Total Liabilities	<u>69,492,639</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	1,080,903
Deferred Inflows Related to OPEB	<u>3,053,537</u>
Total Deferred Inflows of Resources	<u>4,134,440</u>
NET POSITION	
Net Investment in Capital Assets	36,896,603
Restricted for:	
Capital Projects	411,921
Federal & State Grants	1,426,913
Permanent Funds	
Expendable	35,847
Nonexpendable	186,017
Other Purposes	2,235,436
Unrestricted	<u>(44,783,565)</u>
Total Net Position	<u>\$ (3,590,828)</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, 2020**

	Program Revenues				Net (Expenses) Revenues and and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	<u>Primary Government Governmental Activities</u>
Primary Government:					
Governmental Activities:					
General Government	\$ 1,749,018	\$ 471,063	\$ 574,724	\$ 391,393	\$ (311,838)
Public Safety	4,186,923	1,684,282	43,613	-	(2,459,028)
Public Works	2,857,278	38,669	72,061	866,749	(1,879,799)
Education	21,313,197	521,923	12,012,729	295,124	(8,483,421)
Health and Human Services	293,513	50,123	109,553	-	(133,837)
Culture and Recreation	307,945	20,206	39,808	923,305	675,374
Employee and Pension Benefits	11,253,795	-	4,619,642	-	(6,634,153)
State Assessments	637,381	-	-	-	(637,381)
Interest	429,107	-	-	-	(429,107)
Total Governmental Activities	43,028,157	2,786,266	17,472,130	2,476,571	(20,293,190)
Total Primary Government	\$ 43,028,157	\$ 2,786,266	\$ 17,472,130	\$ 2,476,571	(20,293,190)
General Revenues:					
Property Taxes					16,502,153
Motor vehicle excise, Cannabis and other taxes					2,043,391
Penalties & Interest on Taxes					145,453
Grants & Contributions not restricted to specific programs					1,861,690
Unrestricted Investment Income					87,772
Miscellaneous					2,705
Gain on Sale of Capital Assets					141,000
Total General Revenues					20,784,164
Change in Net Position					490,974
Net Position:					
Beginning of year					(4,081,802)
End of year					\$ (3,590,828)

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

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

	General Fund	New Fire/EMS Headquarters Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 4,507,445	\$ 44,077	\$ 4,340,779	\$ 8,892,301
Investments	2,210,606	-	-	2,210,606
Cash and Investments in Custody of Others	-	-	131,669	131,669
Receivables, net of allowance for uncollectibles:				
Property Taxes	561,633	-	-	561,633
Tax Liens	722,524	-	-	722,524
Excise Taxes	217,770	-	-	217,770
Departmental	-	-	395,978	395,978
Due from Other Governments	70,364	-	797,292	867,656
Tax Foreclosures	102,089	-	-	102,089
Total Assets	\$ 8,392,431	\$ 44,077	\$ 5,665,718	\$ 14,102,226
Liabilities:				
Warrants and Accounts Payable	\$ 653,511	\$ -	\$ 394,246	\$ 1,047,757
Accrued Payroll	1,399,637	-	31,818	1,431,455
Payroll Withholdings	161,380	-	-	161,380
Other	21,781	-	-	21,781
Bond Anticipation Notes Payable	-	700,000	500,000	1,200,000
Total Liabilities	2,236,309	700,000	926,064	3,862,373
Deferred Inflows of Resources:				
Unavailable Revenue	1,583,380	-	712,653	2,296,033
Fund Balance:				
Nonspendable	-	-	35,847	35,847
Restricted	-	-	3,656,403	3,656,403
Committed	-	-	656,324	656,324
Assigned	753,437	-	-	753,437
Unassigned	3,819,305	(655,923)	(321,573)	2,841,809
Total Fund Balance	4,572,742	(655,923)	4,027,001	7,943,820
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 8,392,431	\$ 44,077	\$ 5,665,718	\$ 14,102,226

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, 2020**

	General Fund	New Fire/EMS Headquarters Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 16,198,188	\$ -	\$ -	\$ 16,198,188
Intergovernmental	12,004,461	-	4,664,457	16,668,918
Excise, Cannabis and Other Taxes	2,026,738	-	-	2,026,738
Licenses, Permits and Fees	986,075	-	-	986,075
Charges for Services	-	-	1,865,211	1,865,211
Interest and Penalties on Taxes	145,453	-	-	145,453
Investment Income	87,772	-	13,350	101,122
Gifts and Donations	-	-	79,590	79,590
Other	-	-	153,572	153,572
Intergovernmental - "On-behalf" Payments	4,499,868	-	-	4,499,868
Total Revenues	35,948,555	-	6,776,180	42,724,735
Expenditures:				
Current:				
General Government	1,650,786	-	788,932	2,439,718
Public Safety	3,163,366	697,670	788,891	4,649,927
Public Works	1,110,477	-	1,039,573	2,150,050
Education	18,455,881	-	2,698,642	21,154,523
Health and Human Services	207,776	-	44,439	252,215
Culture and Recreation	240,082	-	287,604	527,686
Employee and Pension Benefits	9,004,470	-	973	9,005,443
State Assessments	637,381	-	-	637,381
Debt Service:				
Principal	1,139,794	-	-	1,139,794
Interest	439,395	-	-	439,395
Total Expenditures	36,049,408	697,670	5,649,054	42,396,132
Excess of Revenues Over (Under) Expenditures	(100,853)	(697,670)	1,127,126	328,603
Other Financing Sources (Uses):				
Operating Transfers In	397,512	-	3,976	401,488
Operating Transfers Out	(3,976)	-	(397,512)	(401,488)
Sale of Town Property	141,000	-	-	141,000
Total Other Financing Sources (Uses)	534,536	-	(393,536)	141,000
Net Change in Fund Balances	433,683	(697,670)	733,590	469,603
Fund Balances, Beginning of Year	4,139,059	41,747	3,293,411	7,474,217
Fund Balances, End of Year	\$ 4,572,742	\$ (655,923)	\$ 4,027,001	\$ 7,943,820

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, 2020

Total Governmental Fund Balances		\$ 7,943,820
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.		50,108,440
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.		2,296,033
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.		1,691,145
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	\$ (12,068,409)	
Net Other Post Employment Benefits Liability	(33,758,434)	
Net Pension Liability	(19,221,250)	
Compensated Absences	(447,028)	(65,495,121)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in the governmental funds, interest is not reported until due.		(135,145)
Net Position of Governmental Activities		<u><u>\$ (3,590,828)</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, 2020

Net Change in Fund Balances - Total Governmental Funds \$ 469,603

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	\$	3,587,415	
Depreciation		(3,209,185)	378,230

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. 653,396

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 1,263,594

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	(35,785)		
Net Change in Net Other Post Employment Benefits Liability	(509,711)		
Net Change in Deferred Outflow/(Inflow) of Resources Related to OPEB	(983,406)		
Net Change in Deferred Outflow/(Inflow) of Resources Related to Pensions	(458,374)		
Net Change in Net Pension Liability	(296,861)		
Net Change in Accrued Interest on Long-Term Debt	10,288		
			(2,273,849)

Change in Net Position of Governmental Activities \$ 490,974

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, 2020

	Budgeted Amounts					Amounts	Variance with
	Carried				Actual	Carried	Final Budget
	Forward from	Original	Final		Budgetary	Forward to	Positive
	Prior Year	Budget	Budget		Amounts	Next Year	(Negative)
Revenues:							
Property Taxes	\$ -	\$ 16,043,722	\$ 16,278,712	\$	16,285,188	\$ -	\$ 6,476
Intergovernmental	-	11,913,059	11,913,059		12,004,461	-	91,402
Excise, Cannabis and Other Taxes	-	1,631,000	1,631,000		2,026,738	-	395,738
Licenses, Permits, Fees	-	651,657	651,657		986,075	-	334,418
Interest and Penalties on Taxes	-	195,000	195,000		145,453	-	(49,547)
Investment income	-	80,000	80,000		63,069	-	(16,931)
Total Revenues	-	30,514,438	30,749,428		31,510,984	-	761,556
Expenditures:							
Current:							
General Government	161,343	1,604,018	1,879,956		1,650,786	43,740	185,430
Public Safety	69,012	2,924,603	3,397,928		3,163,366	128,284	106,278
Public Works	25,522	1,048,127	1,278,502		1,110,477	125,864	42,161
Education	413,485	17,957,798	18,600,273		18,455,881	110,744	33,648
Health and Human Services	2,135	223,660	260,145		207,776	28,485	23,884
Culture and Recreation	5,153	252,029	267,182		240,082	18,531	8,569
Employee and Pension Benefits	679	5,117,914	4,646,891		4,504,602	52,481	89,808
State Assessments	-	559,446	559,446		637,381	-	(77,935)
Debt Service:							
Principal	-	1,139,797	1,139,797		1,139,794	-	3
Interest	-	439,399	439,399		439,395	-	4
Total Expenditures	677,329	31,266,791	32,469,519		31,549,540	508,129	411,850
Excess of Revenues Over (Under) Expenditures	(677,329)	(752,353)	(1,720,091)		(38,556)	(508,129)	1,173,406
Other Financing Sources (Uses):							
Operating Transfers In	-	395,018	395,018		397,512	-	2,494
Operating Transfers Out	-	(91,387)	(95,363)		(95,363)	-	-
Sale of Town Property	-	-	-		141,000	-	141,000
Total Other Financing Sources (Uses)	-	303,631	299,655		443,149	-	143,494
Net Change in Budgetary Fund Balance	(677,329)	(448,722)	(1,420,436)	\$	404,593	\$ (508,129)	\$ 1,316,900
Other Budgetary Items:							
Free Cash and Other Reserves	-	448,722	743,107				
Prior Year Encumbrances	677,329	-	677,329				
Total Other Budgetary Items	677,329	448,722	1,420,436				
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, 2020

	<u>Revenues</u>	<u>Expenditures</u>
Reported on a Budgetary Basis	\$ 31,510,984	\$ 31,549,540
<u>Adjustments:</u>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	24,703	-
Recognition of Intergovernmental Revenue - "on behalf payments"	4,499,868	-
Recognition of Expenditures - "on behalf payments"	-	4,499,868
Net Decrease in Revenue from Recording 60-Day Receipts	(87,000)	-
Reported on a GAAP Basis	<u>\$ 35,948,555</u>	<u>\$ 36,049,408</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, 2020**

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 3,028	\$ 653,835
Investments	150,687	-	-
District Tax Receivables	-	-	196,422
Total Assets	150,687	3,028	850,257
LIABILITIES			
Warrants Payable	-	-	49,771
Due to Others	-	-	2,743
Due to Districts	-	-	235,787
Due to Student Groups	-	-	187,506
Escrows and Deposits	-	-	374,450
Total Liabilities	-	-	850,257
NET POSITION			
Held in Trust for Other Purposes	\$ 150,687	\$ 3,028	\$ -

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, 2020**

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
Additions:		
Employer Contributions	\$ 843,535	\$ -
Investment Income	4,317	13
Total Additions	<u>847,852</u>	<u>13</u>
Deductions:		
Employee Benefits	<u>808,535</u>	-
Total Deductions	<u>808,535</u>	<u>-</u>
Change in Net Position	<u>39,317</u>	<u>13</u>
Net Position at Beginning of Year	<u>111,370</u>	<u>3,015</u>
Net Position at End of Year	<u><u>\$ 150,687</u></u>	<u><u>\$ 3,028</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, 2020

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 2020, 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.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

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 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.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

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.

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 fire department 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.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

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 *Other Post Employment Benefit (OPEB) Trust Fund* is used to account for the assets held by the Town in trust for the payment of future retiree health insurance benefits. The assets of the OPEB Trust Fund cannot be used to support the Town's operations.

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.

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

The Town maintains investments according to Massachusetts General Laws and adopted policies. Investments are reported according to the fair value hierarchy established by generally accepted accounting principles. Investments are defined as securities or other assets that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The hierarchy is based upon valuation inputs, which are assumptions that market participants would use when pricing an asset or a liability, including assumptions about risk.

Level 1 inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 inputs are directly observable for an asset or a liability (including quoted prices for similar assets or liabilities), as well as inputs that are indirectly observable for the asset or liability.

Level 3 inputs are unobservable for the asset or liability.

Certain investments, such as money market investments and 2a7-like external investment pools, are reported at amortized cost. 2a7-like pools are external investment pools that operate in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended and should be measured at the net asset value per share provided by the pool.

Additional investment disclosures are presented in these Notes.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

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, Tax Liens and Tax Foreclosures

Property taxes are based on assessments as of January 1, 2019 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.

The Town mailed preliminary tax bills for fiscal year 2020 on July 1, 2019 that were due on August 1, 2019 and November 1, 2019 and the actual tax bills were mailed on December 31, 2019 were due on February 3, 2020 and June 1, 2020, 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 2020 is as follows:

Legal Levy Limit Under Proposition	
2 1/2 for fiscal year 2020	\$ 15,292,785
Add: Debt Exclusion	1,177,292
	<u>\$ 16,470,077</u>

The total amount raised by taxation was \$16,465,283.

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.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

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.

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.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

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 items in this category are *deferred outflows related to pensions and deferred outflows related to OPEB*.

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 items in this category are *deferred inflows related to pensions and deferred inflows related to OPEB*.

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*, 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.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

“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.

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.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

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.

P. Total Column

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

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.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

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 2020, the Town incurred a final budget deficit of \$1,420,436 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	\$ 743,108
Prior year's encumbrances	<u>677,328</u>
	<u><u>\$ 1,420,436</u></u>

B. Deficit Fund Balances

The following funds have deficits at June 30, 2020 as measured by the balance of unreserved fund balance.

- The *Fire Department/EMS Facility construction fund*, a capital project and Major fund, has a deficit of \$655,923. The Town has an outstanding bond anticipation note for \$700,000 for the project. The deficit will be eliminated upon the issuance of permanent debt.
- The *Leicester Middle School feasibility* capital project fund and Massachusetts School Building Administration (MSBA) project, has a deficit of \$312,905. The Town has an outstanding bond anticipation note for \$500,000 for the project. The deficit will be eliminated upon the issuance of permanent debt.
- The *Outside details revolving (Police and Fire)* special revenue account has a deficit of \$8,668. The deficit will be eliminated upon additional receipts or upon the appropriation of funds.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

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, 2020 were \$10,088,401. Of these, \$288,405 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. The MMDT is an external investment pool that meets the criteria established under GASB Statement No. 79 to report its investments at amortized cost.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

As of June 30, 2020, 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	\$ 177,409	\$ 77,192	\$ 100,217
U. S. government agencies	95,487	-	95,487
Corporate bonds	399,574	45,223	354,351
Money market mutual fund	676,736	676,736	-
	1,349,206	\$ 799,151	\$ 550,055
Other Investments:			
Certificates of deposit	754,431		
Equity mutual funds	150,133		
Equity securities - domestic (stocks)	107,623		
	<u>\$ 2,361,393</u>		

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 \$2,361,393 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.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

Credit Risk

The Town's exposure to credit risk as of June 30, 2020 is as follows:

Related Debt Instruments	Fair Value
<u>Moody's Quality Ratings</u>	
U. S. Treasury Obligations:	
Aaa	\$ 177,409
U. S. Government Agencies:	
Aaa	95,487
Corporate Bonds:	
Aaa	50,381
A1	86,214
A2	51,188
Baa1	211,791
Money Market Mutual Funds:	
Not rated	676,736
	<u>\$ 1,349,206</u>

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in one issuer. The Town has no investments that are more than 5 percent.

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.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

The Town has the following recurring fair value measurements as of June 30, 2020:

Investment Type	Fair Value	Fair Value Measurements		
		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	\$ 177,409	\$ 177,409	\$ -	\$ -
U. S. government agencies	95,487	95,487	-	-
Certificates of deposit	754,431	754,431	-	-
Equity mutual funds	150,133	150,133	-	-
Equity securities - domestic	107,623	107,623	-	-
Money market mutual fund	676,736	676,736	-	-
Corporate bonds	399,574	-	399,574	-
Total Investments	\$ 2,361,393	\$ 1,961,819	\$ 399,574	\$ -

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.

B. Receivables

At June 30, 2020, 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	\$ 568,037	\$ (6,404)	\$ 561,633
Tax liens	722,524	-	722,524
Excise taxes	318,610	(100,840)	217,770
Departmental	1,273,526	(877,548)	395,978
Due from other governments	867,656	-	867,656
Tax foreclosures	102,089	-	102,089
Fiduciary funds:			
District tax receivables	196,422	-	196,422
	<u>\$ 4,048,864</u>	<u>\$ (984,792)</u>	<u>\$ 3,064,072</u>

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

The composition of amounts due from other governments as of June 30, 2020 for governmental funds is as follows:

General Fund:

Commonwealth of Massachusetts:

Department of Veterans Services:

Veterans benefits	\$	70,364
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Nonmajor Governmental Funds:

Commonwealth of Massachusetts:

Department of Energy Resources

Green Community Grant	\$	35,568
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Executive Office of Energy and Environmental Affairs

Dam and Seawall Repair Program		29,280
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Massachusetts School Building Authority:

School Building Assistance - capital portion		153,320
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Massachusetts Department of Transportation:

Highway Department	579,124	797,292
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	\$	<u>867,656</u>
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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	\$	470,633
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Tax liens		722,524
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Excise taxes		217,770
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Due from other governments		70,364
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Tax foreclosures	102,089	\$ 1,583,380
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Nonmajor Governmental Funds:

Departmental		304,764
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Due from other governments	407,889	712,653
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	\$	<u>2,296,033</u>
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TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

D. Capital Assets

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 5,378,740	\$ -	\$ -	\$ 5,378,740
Construction in progress	9,102,030	674,734	(407,201)	9,369,563
Total capital assets not being depreciated	14,480,770	674,734	(407,201)	14,748,303
Capital assets being depreciated:				
Buildings and Renovations	37,733,794	2,083,871	(111,000)	39,706,665
Machinery, equipment and other	6,628,841	616,094	-	7,244,935
Infrastructure	67,518,101	619,917	-	68,138,018
Total capital assets being depreciated	111,880,736	3,319,882	(111,000)	115,089,618
Less accumulated depreciation for:				
Buildings and Renovations	21,245,654	1,232,468	(111,000)	22,367,122
Machinery, equipment and other	4,541,800	551,912	-	5,093,712
Infrastructure	50,843,842	1,424,805	-	52,268,647
Total accumulated depreciation	76,631,296	3,209,185	(111,000)	79,729,481
Total capital assets being depreciated, net	35,249,440	110,697	-	35,360,137
Total governmental activities capital assets, net	\$ 49,730,210	\$ 785,431	\$ (407,201)	\$ 50,108,440

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

Governmental Activities:

General government	\$ 199,020
Public safety	530,850
Public works	1,675,506
Education	756,580
Health and human services	41,298
Culture and recreation	5,931
Total depreciation expense - governmental activities	<u>\$ 3,209,185</u>

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

E. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2020, are summarized below:

Transfers Out:	Transfers In:		Total
	General fund	Nonmajor Governmental fund	
General fund	\$ -	\$ 3,976	\$ 3,976
Nonmajor governmental funds	397,512	-	397,512
Total transfers out	<u>\$ 397,512</u>	<u>\$ 3,976</u>	<u>\$ 401,488</u>

F. Leases

The Town has entered into lease agreements as lessee for financing of two fire department trucks and highway equipment. 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 2020, acquired through the capital leases are as follows:

	Governmental Activities
Asset:	
Machinery, Equipment and Other	\$ 541,000
Less: Accumulated Depreciation	(245,417)
Total	<u>\$ 295,583</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020 are as follows:

Year Ending June 30,	Governmental Activities
2021	\$ 90,081
Less: amount representing interest	(2,615)
Present value of minimum lease payments	<u>\$ 87,466</u>

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

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, 2019	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2020
Governmental Activities						
Bond Anticipation Note:						
Library construction	2.35%	2/14/2020	\$ 923,305	\$ -	\$ 923,305	\$ -
Middle School Feasibility Study	2.35%	2/14/2020	500,000	-	500,000	-
Middle School Feasibility Study	1.57%	8/26/2020	-	500,000	-	500,000
New Fire/EMS Headquarters	1.62%	8/26/2020	-	700,000	-	700,000
Total Governmental Activities			<u>\$ 1,423,305</u>	<u>\$ 1,200,000</u>	<u>\$ 1,423,305</u>	<u>\$ 1,200,000</u>

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

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, 2020
Inside Debt:					
Municipal Purpose Loan of 2010:					
Remodel Roofs	4.20%	8/13/2010	8/1/2020	\$ 388,679	\$ 35,000
U.S. Department of Agriculture:					
School project	3.38%	6/27/2012	6/27/2042	160,500	131,887
School project	3.38%	6/27/2012	6/27/2042	254,500	209,130
Refunding Loan of 2015:					
Land Acquisition (Hillcrest Country Club)	1.57%	6/15/2015	11/15/2023	1,351,271	578,749
Land Acquisition (Police)	1.57%	6/15/2015	11/15/2020	116,944	19,155
Police Station	1.57%	6/15/2015	11/15/2023	1,485,552	634,757
Lease Purchase Agreement of 2015:					
Energy Update Equipment	2.79%	11/10/2015	8/1/2035	2,237,835	1,908,354
Municipal Purpose Loan of 2016:					
Fire Station Construction	2.83%	12/1/2016	5/1/2041	4,665,000	4,065,000
Municipal Purpose Loan of 2017:					
Fire Station Construction	1.94%	10/25/2017	5/1/2028	1,585,000	1,315,000
Town Hall Elevator	1.91%	10/25/2017	5/1/2028	250,000	200,000
Town Hall Renovations	1.91%	10/25/2017	5/1/2028	100,000	80,000
Municipal Purpose Loan of 2019:					
Library Construction	3.03%	2/14/2019	2/1/2039	1,900,000	1,835,000
Land Acquisition (Pleasant Street)	2.04%	2/14/2019	2/1/2024	95,000	80,000
Highway Equipment	2.04%	2/14/2019	2/1/2024	855,000	700,000
Total Inside Debt					<u>11,792,032</u>
Outside Debt:					
Refunding Loan of 2015:					
Water mains	1.57%	6/15/2015	11/15/2020	580,000	95,000
Water mains	1.57%	6/15/2015	11/15/2023	86,233	37,339
Massachusetts Clean Water Trust:					
Title V Septic Repair Program	Various	8/1/2004	8/1/2022	64,592	10,298
Title V Septic Repair Program	0.00%	12/14/2006	7/15/2026	132,217	46,274
Total Outside Debt					<u>188,911</u>
Total governmental type debt					<u>\$ 11,980,943</u>

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

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, 2020 are as follows:

Year	Principal	Interest	Total
2021	\$ 1,155,324	\$ 370,378	\$ 1,525,702
2022	1,026,116	331,304	1,357,420
2023	1,052,066	293,827	1,345,893
2024	1,074,803	255,318	1,330,121
2025	636,254	220,271	856,525
2026-2030	2,939,401	843,065	3,782,466
2031-2035	2,566,837	470,935	3,037,772
2036-2040	1,388,046	131,961	1,520,007
2041-2044	142,096	5,640	147,736
	<u>\$ 11,980,943</u>	<u>\$ 2,922,699</u>	<u>\$ 14,903,642</u>

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

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due within One Year
Governmental activities:					
Bonds/Leases Payable:					
General obligation debt	\$ 13,044,221	\$ -	\$ 1,119,850	\$ 11,924,371	\$ 1,145,333
Massachusetts Clean Water Trust bonds	76,516	-	19,944	56,572	9,991
Capital lease	211,266	-	123,800	87,466	87,466
Compensated absences	411,243	35,819	34	447,028	45,103
Net OPEB liability	33,248,723	509,711	-	33,758,434	-
Net pension liability	18,924,389	296,861	-	19,221,250	-
Governmental activity Long-term liabilities	<u>\$ 65,916,358</u>	<u>\$ 842,391</u>	<u>\$ 1,263,628</u>	<u>\$ 65,495,121</u>	<u>\$ 1,287,893</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, 2020 for principal and interest combined for the loans are \$57,347. The net repayments, including interest, are scheduled to be \$56,572. 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 2020 interest subsidies totaled \$873.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

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, 2020 totaled \$11,792,032.

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 (2020)		<u>\$ 1,145,368,600</u>
Debt Limit: 5 % of Equalized value		57,268,430
Total Debt Outstanding	\$ 11,980,943	
Less: Debt Outside Debt Limit	<u>(188,911)</u>	<u>11,792,032</u>
Inside Debt Excess Borrowing Capacity at June 30, 2020		<u><u>\$ 45,476,398</u></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, 2020 and are not reflected in the Town's financial statements are as follows:

Date Town Meeting Authorized	Purpose	Amount
10/20/2015	Leicester High School roof replacement	\$ 519,568
5/2/2017	Middle School Feasibility Study	250,000
10/22/2019	Fire Station Project	400,000
6/2/2020	Wait Pond Dam Project	388,000
		<u><u>\$ 1,557,568</u></u>

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

I. Fund Balances

The following is a summary of the Town's Governmental fund balances at the year ended June 30, 2020:

	General Fund	Major Funds	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Permanent funds	\$ -	\$ -	\$ 35,847	\$ 35,847
Restricted:				
Federal, state and local grants	-	-	1,019,024	1,019,024
School revolving funds	-	-	1,629,100	1,629,100
Town revolving funds	-	-	235,141	235,141
Donations and gifts	-	-	183,020	183,020
Capital projects	-	-	141,840	141,840
Permanent funds	-	-	186,017	186,017
Other	-	-	262,261	262,261
	-	-	3,656,403	3,656,403
Committed:				
Ambulance reserve	-	-	636,789	636,789
Health insurance fund	-	-	3,964	3,964
Open space fund	-	-	1,279	1,279
Other	-	-	14,292	14,292
	-	-	656,324	656,324
Assigned:				
General government	43,740	-	-	43,740
Public safety	128,284	-	-	128,284
Public works	125,864	-	-	125,864
Education	110,744	-	-	110,744
Health and human services	28,485	-	-	28,485
Culture and recreation	18,531	-	-	18,531
Employee and pension benefits	52,481	-	-	52,481
Subsequent year's budget	245,308	-	-	245,308
	753,437	-	-	753,437
Unassigned:				
General Fund	3,819,305	-	-	3,819,305
Capital project deficits:	-	(655,923)	(312,905)	(968,828)
Special revenue deficits:	-	-	(8,668)	(8,668)
	3,819,305	(655,923)	(321,573)	2,841,809
Total Governmental fund balances	\$ 4,572,742	\$ (655,923)	\$ 4,027,001	\$ 7,943,820

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

J. Special Trust Funds

Stabilization Fund

Massachusetts General Laws, Chapter 40, Section 5B, allows for the establishment of stabilization funds for one or more different purposes. The creation of a fund requires a two-thirds vote of the legislative body and must clearly define the purpose of the fund. Any change to the purpose of the fund along with any additions to or appropriations from the fund requires a two-thirds vote of the legislative body. Any interest shall be added to and become a part of the fund.

At June 30, 2020 the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

General purpose stabilization fund	\$ 1,117,300
Capital stabilization fund	151
Hillcrest capital stabilization fund	26,001
	<hr/>
	\$ 1,143,452

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, 2020, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2020.

The Town has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under the terms of the grant. The amount, if any, of expenditures which may be disallowed cannot be determined at this time, although, based on prior experience, Town management believes such disallowances, if any, will not be material.

C. COVID-19

The Covid-19 outbreak in the United States and across the globe has resulted in economic uncertainties. The disruption is expected to be temporary, but there is considerable uncertainty around the duration and scope. The extent of the impact of Covid-19 on our operational and financial performance will depend on certain developments, including the duration and spread of outbreak, impact on our customers, employees, and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which Covid-19 may impact our financial condition or results of operations is uncertain.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

D. Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued.

E. 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, 2019. The Town's portion of the collective pension expense contributed by the Commonwealth of \$4,499,868 on-behalf payments for the fiscal year ending June 30, 2020 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.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

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.

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, 2019 was \$1,314,800, representing 25.29% 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, 2020, a reported liability of \$19,221,250 is the Town's proportionate share of the net pension liability as measured as of December 31, 2019. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. 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, 2019, the Town's proportional percentage was 2.1594%, which was a slight increase from the last measurement.

Pension Expense

For the year ended June 30, 2020, the Town recognized a pension expense of \$2,070,034 and reported deferred outflows of resources related to pensions of \$1,638,892 from the net difference between expected and actual experience, changes in assumptions and change in allocated proportion; and deferred inflows of resources related to pensions of \$1,080,903 from the net difference between expected and actual experience, the net difference between projected and actual investment earnings and the change in allocated proportion.

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,		
2021	\$	410,661
2022		207,400
2023		113,978
2024		(237,403)
Thereafter:		63,353
	\$	557,989

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement that was updated December 31, 2019:

Valuation date	January 1, 2018
Actuarial cost method	Entry Age Normal
Amortization method	Payment increases 4.0% per year.
Asset valuation method	Market value of assets
Inflation	2.4% per year
Salary increases	Group 1: 4.25% -- 6.00%, based on service Group 4: 4.75% -- 7.00%, based on service
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Mortality rates	RP-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB. For disabled lives, RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB.

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. 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, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	39%	4.68%
Fixed income	23%	1.90%
Private Equity	13%	8.50%
Real Estate	10%	3.70%
Timber/Natural Resources	4%	4.30%
Portfolio Completion Strategies	11%	3.40%
Total	100%	

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

Rate of Return

For the year ended December 31, 2019, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 16.55%. 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 7.65%. 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 7.65%. 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 (8.65%) than the current rate:

	1% Decrease	Current	1% Increase
	6.65%	Discount Rate 7.65%	8.65%
Net pension liability	\$ 23,454,930	\$ 19,221,250	\$ 15,646,028

F. Other Post Employment Benefits Payable

GASB Statement No. 74 and GASB Statement No. 75

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 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 458 active and retired employees that meet the eligibility requirements. The plan does not issue a separate financial report.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended through Town ordinances. For the period ending on the June 30, 2020 Measurement Date, total Town premiums plus implicit costs for the retiree medical program were \$808,535. The Town also made a contribution to an OPEB Trust of \$35,000 for a total contribution during the measurement period of \$843,535. The Town did establish a trust fund in order to contribute funds to reduce the future OPEB liability. As of June 30, 2020, the Town's trust balance is \$150,687.

Investments

The Town's policy in regard to the allocation of invested assets is established and may be amended by the Board of Selectmen by majority vote of its members. The OPEB plan's assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the Town's investment policy. As of June 30, 2020, investments, concentration and rate of return information consisted of pooled funds in the Town's Bartholomew Commonwealth Financial investments described earlier under Deposits and Investments (refer to note 3A).

Measurement Date

GASB Statement No. 74 and GASB Statement No. 75 require the net OPEB liability to be measured as of the OPEB Plan's most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2019.

Plan Membership:

Current active members	268
Current retirees, beneficiaries and dependents	190
Total	<u>458</u>

Net OPEB Liability

The components of the net OPEB liability are as follows:

	<u>6/30/2020</u>
Total OPEB liability	\$ 33,909,121
Less: Plan fiduciary net position	<u>(150,687)</u>
Town's Net OPEB liability	<u>\$ 33,758,434</u>

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement that was updated for the reporting date of June 30, 2020, unless otherwise specified:

Valuation date	July 1, 2019
Actuarial cost method	Individual Entry Age Normal

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

Investment rate of return	6.28%, net of OPEB plan investment expense, including inflation
Single Equivalent Discount rate	3.00%%, net of OPEB plan investment expense, including inflation
Inflation rate	2.50% as of June 30, 2020 and for future periods
Participant salary increases	3.00% annually as of June 30, 2020 and for future periods
Healthcare cost trend rates	an ultimate trend rate of 4.50% per year
Mortality rates	
Pre-retirement mortality:	
(General)	RP-2014 Mortality Table for Blue Collar Employees projected generationally with Scale MP-2016 for males and females, set forward one year for females.
(Teachers)	RP-2014 Mortality Table for White Collar Employees projected generationally with Scale MP-2016 for males and females.
Post-retirement mortality:	
(General)	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with Scale MP-2016 for males and females, set forward one year for females.
(Teachers)	RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with Scale MP-2016 for males and females.
Disabled mortality:	
(General)	RP-2014 Mortality Table for Blue Collar Healthy Annuitants projected generationally with Scale MP-2016 for males and females, set forward one year.
(Teachers)	RP-2014 Mortality Table for White Collar Healthy Annuitants projected generationally with Scale MP-2016 for males and females.

The actuarial assumptions used the July 1, 2019 actuarial valuation and market value of assets as of the measurement date of June 30, 2020 were reflective of published municipal bond indices; the S&P Municipal Bond 20-year High Grade Index is 2.66%.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

Long-term Expected Rate of Return

The chart below shows how the long-term rate of return on assets is developed based on the Town's Investment Policy:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity - Large Capital	21.25%	4.80%
Domestic Equity - Small/Mid Capital	15.00%	5.29%
International Equity - Developed Market	12.00%	5.45%
International Equity - Emerging Market	6.00%	6.42%
Domestic Fixed Income	35.00%	2.05%
International Fixed Income	6.25%	3.00%
Alternatives	4.25%	6.50%
Real Estate	0.00%	6.25%
Cash and Cash Equivalents	0.25%	0.00%
Total	100.00%	
I. Real Rate of Return		4.03%
II. Add: Inflation Assumption		2.50%
III. Total Nominal Return (I. + II.)		6.53%
IV. Less: Investment Expense		0.25%
V. Net investment Return (III.-IV.)		6.28%

Rate of Return

For the year ended June 30, 2020, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 3.01%.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made in accordance with the Town's funding policy. Based on these assumptions, the OPEB Plan's Fiduciary Net Position is projected to be insufficient to make all projected benefit payments to current plan members. Therefore, the long-term expected rate of return on the OPEB Plan assets is applied to the projected benefits payments which the Fiduciary Net Position is expected to be sufficient to cover and the Municipal Bond Rate is applied thereafter.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Total OPEB Liability
Balances at June 30, 2019	\$ 33,360,093	\$ 111,370	\$ 33,248,723
Service cost	1,079,340	-	1,079,340
Interest on Total OPEB Liability	1,021,145	-	1,021,145
Changes in benefit terms *	-	-	-
Changes in assumptions **	2,336,583	-	2,336,583
Difference between actual and expected experience **	(3,079,505)	-	(3,079,505)
Net investment income	-	4,317	(4,317)
Employer contributions to Trust	-	843,535	(843,535)
Total benefit payments including implicit cost	(808,535)	(808,535)	-
Net change in total OPEB liability	549,028	39,317	509,711
Balances at June 30, 2020	\$ 33,909,121	\$ 150,687	\$ 33,758,434

* = Recognized immediately

** = Amortized over 5.00 years

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

The following presents the Town's net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.00%) or 1-percentage-point higher (4.00%) than the current rate:

	1% Decrease 2.00%	Current Discount Rate 3.00%	1% Increase 4.00%
Town's net OPEB liability	\$ 39,977,717	\$ 33,758,434	\$ 28,854,931

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rates

The following presents the Town's net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.50%) or 1-percentage-point higher (5.50%) than the current healthcare cost trend rates:

	1% Decrease 3.50%	Healthcare Cost Trend Rates 4.50%	1% Increase 5.50%
Town's net OPEB liability	\$ 28,348,658	\$ 33,758,434	\$ 40,790,175

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

Summary of Significant Accounting Policies

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to or deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts (repurchase agreements) that have a maturity at the time of purchase of one year, which are reported at cost.

Expense, Deferred Outflows or Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the GASB Statement No. 75 reporting period and fiscal year ending date, the Town recognized an OPEB expense of \$1,493,117 and reported deferred outflows of resources related to OPEB of \$4,186,693 from the differences between actual and expected experience, changes in assumptions and the net difference between projected and actual investment earnings on plan investments; and deferred inflows of resources related to OPEB of \$3,053,537 from the differences between actual and expected experience and the changes in assumptions.

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

For years ended June 30,		
	2021	\$ 244,243
	2022	244,245
	2023	265,561
	2024	379,107
		\$ 1,133,156

G. Implementation of New GASB Pronouncements

The GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This pronouncement postponed the effective dates of certain provisions in GASB statements and Implementation Guides that first became effective or are scheduled to be effective for periods beginning after June 15, 2018 or later.

H. 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. 84, *Fiduciary Activities*, for implementation in fiscal year 2021.

The GASB issued Statement No. 87, *Leases*, for implementation in fiscal year 2022.

The GASB issued Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, for implementation in fiscal year 2021.

The GASB issued Statement No. 91, *Conduit Debt Obligations*, for implementation in fiscal year 2023.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2020

The GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, for implementation in fiscal 2022.

The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, for implementation in fiscal year 2023.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, for implementation in fiscal year 2023.

The GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, for implementation in fiscal year 2021 and 2022.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF LEICESTER, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Worcester Regional Contributory Retirement System
For the Year Ended June 30, 2020

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:

Measurement Date	Town's proportion of the net pension liability (asset)	Town's proportionate share of the net pension liability (asset)	Town's covered employee payroll	Net pension liability percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
12/31/2019	2.1594%	\$ 19,221,250	\$ 5,198,182	369.77%	47.36%
12/31/2018	2.0870%	\$ 18,924,389	\$ 4,997,991	378.64%	43.05%
12/31/2017	2.0858%	\$ 17,008,376	\$ 5,205,603	326.73%	46.40%
12/31/2016	2.1086%	\$ 17,661,849	\$ 5,580,380	316.50%	42.00%
12/31/2015	2.1033%	\$ 14,929,159	\$ 5,236,988	285.07%	44.52%
12/31/2014	2.4786%	\$ 14,749,413	\$ 5,035,565	292.90%	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, 2020

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:

Measurement Date	Actuarially determined contribution	Less: Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Town's covered employee payroll	Contributions percentage of covered employee payroll
12/31/2019	\$ 1,314,800	\$ (1,314,800)	\$ -	\$ 5,198,182	25.29%
12/31/2018	\$ 1,161,943	\$ (1,161,943)	\$ -	\$ 4,997,991	23.25%
12/31/2017	\$ 1,055,412	\$ (1,055,412)	\$ -	\$ 5,205,603	20.27%
12/31/2016	\$ 1,024,269	\$ (1,024,269)	\$ -	\$ 5,580,380	18.35%
12/31/2015	\$ 946,178	\$ (946,178)	\$ -	\$ 5,236,988	18.07%
12/31/2014	\$ 979,423	\$ (979,423)	\$ -	\$ 5,035,565	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 Schedules
For the Year Ended June 30, 2020

Schedule of Changes in the Net OPEB Liability:

	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Total OPEB liability				
Service cost	\$ 1,079,340	\$ 1,222,535	\$ 918,534	\$ 1,112,103
Interest on total OPEB liability	1,021,145	1,093,826	1,079,817	1,088,426
Changes in Benefit terms	-	-	-	-
Changes in Assumptions	2,336,583	3,487,267	(1,202,320)	-
Difference between actual and expected experience	(3,079,505)	-	19,412	(3,552,281)
Benefit payments, including refunds of member contributions	(808,535)	(772,299)	(719,907)	(794,727)
Net change in total OPEB liability	549,028	5,031,329	95,536	(2,146,479)
Total OPEB liability-beginning	33,360,093	28,328,764	28,233,228	30,379,707
Total OPEB liability-ending (a)	<u>\$ 33,909,121</u>	<u>\$ 33,360,093</u>	<u>\$ 28,328,764</u>	<u>\$ 28,233,228</u>
Plan fiduciary net position				
Net investment income	4,317	5,653	\$ (279)	\$ 996
Employer contributions to Trust	843,535	807,299	754,907	829,727
Benefit payments, including refunds of member contributions	(808,535)	(772,299)	(719,907)	(794,727)
Net change in plan fiduciary net position	39,317	40,653	34,721	35,996
Total fiduciary net position-beginning	111,370	70,717	35,996	-
Total fiduciary net position-ending (b)	<u>\$ 150,687</u>	<u>\$ 111,370</u>	<u>\$ 70,717</u>	<u>\$ 35,996</u>
Town's net OPEB liability (a-b)	<u>\$ 33,758,434</u>	<u>\$ 33,248,723</u>	<u>\$ 28,258,047</u>	<u>\$ 28,197,232</u>

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 Schedules
For the Year Ended June 30, 2020

Schedule of Net OPEB Liability:

	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Total OPEB liability	\$ 33,909,121	\$ 33,360,093	\$ 28,328,764	\$ 28,233,228
Less: Plan fiduciary net position	(150,687)	(111,370)	(70,717)	(35,996)
Town's Net OPEB liability	<u>\$ 33,758,434</u>	<u>\$ 33,248,723</u>	<u>\$ 28,258,047</u>	<u>\$ 28,197,232</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.45%	0.33%	0.25%	0.13%
Town's share of covered employee payroll	\$ 16,407,464	\$ 16,620,202	\$ 16,136,118	\$ 15,209,838
Participating employer net OPEB liability (asset) as a percentage of covered-employee payroll	205.75%	200.05%	175.12%	185.39%

Schedule of Contributions:

	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>
Actuarially determined contribution	\$ 2,204,621	\$ 2,869,453	\$ 2,446,174	\$ 2,708,031
Less: Contributions in relation to the actuarially determined contribution	(843,535)	(807,299)	(754,907)	(829,727)
Contribution deficiency (excess)	<u>\$ 1,361,086</u>	<u>\$ 2,062,154</u>	<u>\$ 1,691,267</u>	<u>\$ 1,878,304</u>
Town's share of covered employee payroll	\$ 16,407,464	\$ 16,620,202	\$ 16,136,118	\$ 15,209,838
Contributions percentage of covered-employee payroll	5.14%	4.86%	4.68%	5.46%
Annual money-weighted rate of return net of investment expense	3.01%	5.50%	(0.52%)	5.77%

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 Schedules
For the Year Ended June 30, 2020

Schedule of Funding Progress:

Other Post Employment Benefits						
Actuarial Measurement Date	Actuarial Fiduciary Net Position (A)	Actuarial Total OPEB Liability (B)	Actuarial Net OPEB Liability (B-A)	Actuarial Funded Ratio (A/B)	Actuarial Covered Payroll (C)	Actuarial Percentage of Covered Payroll ((B-A)/C)
6/30/2020	\$ 150,687	\$ 33,909,121	\$ 33,758,434	0.44%	\$ 16,407,464	205.75%
6/30/2019	\$ 111,370	\$ 33,360,093	\$ 33,248,723	0.33%	\$ 16,620,202	200.05%
6/30/2018	\$ 70,717	\$ 28,328,764	\$ 28,258,047	0.25%	\$ 16,136,118	175.12%
6/30/2017	\$ 35,996	\$ 28,233,228	\$ 28,197,232	0.13%	\$ 15,209,838	185.39%

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.

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, 2020

	Fund Balances July 1, 2019	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2020
Special Revenue:					
Federal and State Grants:					
School Grants	\$ 33,518	\$ 719,737	\$ 674,985	\$ -	\$ 78,270
Community Development Block Grants	30	130,053	130,083	-	-
Council on Aging Grants	7,000	31,332	32,332	-	6,000
Dam and Seawall Repair Program	-	29,280	29,280	-	-
Emergency Management Grants	-	232,614	203,473	-	29,141
Green Communities Grant	(46,734)	162,113	115,379	-	-
Highway Grants	-	594,911	594,911	-	-
Library Grants	61,294	18,077	27,324	-	52,047
Other Grants and Programs	643	9,194	1,000	-	8,837
Park Grants	54,000	2,000	50,000	-	6,000
Public Safety Grants	13,461	17,616	18,614	(2,494)	9,969
Recycling Program	12,036	70,849	67,373	-	15,512
Town Hall Improvement Grant	-	200,000	200,000	-	-
Schools:					
School Lunch Program	144,840	524,192	515,574	-	153,458
School Lunch Commodities	-	55,200	55,200	-	-
Revolving Accounts	408,309	283,232	293,033	-	398,508
School Choice	618,649	380,470	280,514	-	718,605
School Special Education Reserve	365,997	-	7,469	-	358,528
State Special Education Reimbursement Fund	312,890	488,646	315,745	-	485,791
Other:					
Ambulance Reserve	523,590	484,391	-	(371,192)	636,789
Conservation Commission Fees	28,125	3,910	-	(3,882)	28,153
Gifts and Donations	181,440	79,591	75,961	(2,050)	183,020
Insurance Reimbursements	-	31,472	17,179	-	14,293
Leicester Cable Funds	286,396	119,266	78,205	-	327,457
Outside Detail Revolving	(1,650)	702,875	711,420	1,527	(8,668)
RDTF Seizures Released	49,941	-	3,163	-	46,778
Total Special Revenue Page 63	\$ 3,053,775	\$ 5,371,021	\$ 4,498,217	\$ (378,091)	\$ 3,548,488

TOWN OF LIECESTER, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Fund Balances July 1, 2019	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2020
Continued from Page 63	\$ 3,053,775	\$ 5,371,021	\$ 4,498,217	\$ (378,091)	\$ 3,548,488
Special Revenue (continued):					
Revolving Funds	186,852	163,945	119,556	3,900	235,141
Sale of Cemetery Lots	9,260	-	-	-	9,260
Septic Repair Programs	128,316	4,178	-	(19,944)	112,550
Transportation Infrastructure	1,005	1,633	-	599	3,237
Waterway Improvement Fund	7,830	-	-	-	7,830
Arts Council Fund	12,286	11,085	12,787	-	10,584
Capital Expenditures Fund	3,490	17	-	-	3,507
Health Insurance Fund	4,912	25	973	-	3,964
Open Space Fund	1,273	6	-	-	1,279
Post War Rehabilitation Fund	1,447	7	-	-	1,454
Total Special Revenue	3,410,446	5,551,917	4,631,533	(393,536)	3,937,294
Capital Projects:					
Highway equipment	340,554	-	338,439	-	2,115
Leicester Middle School feasibility study	(87,621)	295,124	520,408	-	(312,905)
Library construction	(671,068)	925,659	154,326	-	100,265
Premium on Bond	39,459	-	550	-	38,909
Town Hall renovations	39,856	-	397	-	39,459
Total Capital Projects	\$ (338,820)	\$ 1,220,783	\$ 1,014,120	\$ -	\$ (132,157)

TOWN OF LIECESTER, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Fund Balances July 1, 2019	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2020
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	1,874	100	125	-	1,849
Dorothy Warren Fund	396	85	-	-	481
Newhall Fund	19,352	94	-	-	19,446
I. H. Thomas Fund	1,529	8	-	-	1,537
Southgate Fund	30,885	150	-	-	31,035
In Custody of Library Trustees:					
Library Funds	131,902	3,043	3,276	-	131,669
Total Permanent Funds	185,938	3,480	3,401	-	186,017
Total Non-Major Governmental Funds	\$ 3,293,411	\$ 6,776,180	\$ 5,649,054	\$ (393,536)	\$ 4,027,001

TOWN OF LEICESTER, MASSACHUSETTS
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY, ROLLBACK AND DEFERRED TAXES
JULY 1, 2019 TO JUNE 30, 2020

	Uncollected Taxes July 1, 2019	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2020	Uncollected Taxes Per Detail June 30, 2020
Real Estate Taxes:						
Levy of 2020	\$ -	\$ 15,821,797	\$ 122,135	\$ 15,153,107	\$ 546,555	\$ 546,251
Levy of 2019	392,152	-	178,143	210,271	3,738	3,144
Levy of 2018	57,742	-	49,322	4,961	3,459	3,340
Levy of 2017	42,831	-	37,632	2,532	2,667	2,680
Levy of 2016	29,930	-	28,487	2,335	(892)	(1,974)
Prior Years	18,920	-	16,880	421	1,619	(34)
	<u>541,575</u>	<u>15,821,797</u>	<u>432,599</u>	<u>15,373,627</u>	<u>557,146</u>	<u>553,407</u>
Personal Property Taxes:						
Levy of 2020	-	670,431	1,570	668,477	384	384
Levy of 2019	47,608	-	-	45,748	1,860	1,860
Levy of 2018	27,197	-	-	25,222	1,975	1,975
Levy of 2017	1,061	-	-	17	1,044	1,044
Levy of 2016	644	-	-	16	628	628
Prior Years	5,015	-	-	15	5,000	5,000
	<u>81,525</u>	<u>670,431</u>	<u>1,570</u>	<u>739,495</u>	<u>10,891</u>	<u>10,891</u>
Rollback Taxes	<u>-</u>	<u>28,434</u>	<u>-</u>	<u>28,434</u>	<u>-</u>	<u>-</u>
Deferred Taxes	<u>7,899</u>	<u>-</u>	<u>-</u>	<u>7,899</u>	<u>-</u>	<u>-</u>
Total Real Estate, Personal Property, Rollback and Deferred Taxes	<u>\$ 630,999</u>	<u>\$ 16,520,662</u>	<u>\$ 434,169</u>	<u>\$ 16,149,455</u>	<u>\$ 568,037</u>	<u>\$ 564,298</u>

**TOWN OF LEICESTER, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE AND BOAT EXCISE TAXES
JULY 1, 2019 TO JUNE 30, 2020**

	Uncollected Taxes July 1, 2019	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2020	Uncollected Taxes Per Detail June 30, 2020
Motor Vehicle Excise Taxes:						
Levy of 2020	\$ -	\$ 1,357,026	\$ 23,715	\$ 1,163,158	\$ 170,153	\$ 170,153
Levy of 2019	161,319	155,767	16,414	264,821	35,851	35,851
Levy of 2018	30,814	-	1,286	14,060	15,468	15,468
Levy of 2017	10,691	-	1,153	1,088	8,450	8,450
Levy of 2016	8,466	-	228	887	7,351	7,310
Prior Years	78,705	-	-	1,618	77,087	77,081
	<u>289,995</u>	<u>1,512,793</u>	<u>42,796</u>	<u>1,445,632</u>	<u>314,360</u>	<u>314,313</u>
Boat Excise Taxes:						
Levy of 2020	-	2,577	75	1,077	1,425	1,425
Levy of 2019	775	-	158	331	286	286
Levy of 2018	228	-	-	-	228	228
Levy of 2017	228	-	-	-	228	203
Levy of 2016	270	-	-	-	270	256
Prior Years	1,813	-	-	-	1,813	1,798
	<u>3,314</u>	<u>2,577</u>	<u>233</u>	<u>1,408</u>	<u>4,250</u>	<u>4,196</u>
Total Motor Vehicle and Boat Excise Taxes	<u>\$ 293,309</u>	<u>\$ 1,515,370</u>	<u>\$ 43,029</u>	<u>\$ 1,447,040</u>	<u>\$ 318,610</u>	<u>\$ 318,509</u>

**TOWN OF LEICESTER, MASSACHUSETTS
SCHEDULE OF TAX LIENS AND TAX FORECLOSURES
JULY 1, 2019 TO JUNE 30, 2020**

	Uncollected Accounts July 1, 2019	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2020	Uncollected Accounts Per Detail June 30, 2020
Tax Liens	<u>\$ 439,091</u>	<u>\$ 411,045</u>	<u>\$ 468</u>	<u>\$ 127,144</u>	<u>\$ 722,524</u>	<u>\$ 717,390</u>
Tax Foreclosures	<u>\$ 108,497</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,408</u>	<u>\$ 102,089</u>	<u>\$ 102,089</u>

TOWN OF LEICESTER, MASSACHUSETTS

**INDEPENDENT AUDITOR'S REPORTS PURSUANT
TO GOVERNMENTAL AUDITING STANDARDS
AND UNIFORM GUIDANCE**

FOR THE YEAR ENDED JUNE 30, 2020

TOWN OF LEICESTER, MASSACHUSETTS

**Independent Auditors' Reports Pursuant
To Governmental Auditing Standards
And Uniform Guidance**

For the Year Ended June 30, 2020

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Board of Selectmen
Town of Leicester, Massachusetts

We have audited, in accordance with the 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, the 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 year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Leicester, Massachusetts' basic financial statements, and have issued our report thereon dated March 30, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Leicester, Massachusetts' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Leicester, Massachusetts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Leicester, Massachusetts' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Leicester, Massachusetts' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Scanlon and Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts

March 30, 2021

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Board of Selectmen
Town of Leicester, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited the Town of Leicester, Massachusetts' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Leicester, Massachusetts' major federal programs for the year ended June 30, 2020. The Town of Leicester, Massachusetts' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Leicester, Massachusetts' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Leicester, Massachusetts' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Leicester, Massachusetts' compliance.

Opinion Each Major Federal Program

In our opinion, the Town of Leicester, Massachusetts, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Town of Leicester, Massachusetts, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In

planning and performing our audit of compliance, we considered the Town of Leicester, Massachusetts' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Leicester, Massachusetts' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the 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 year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Leicester, Massachusetts' basic financial statements. We issued our report thereon dated March 30, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Scanlon and Associates, LLC

Scanlon & Associates, LLC
South Deerfield, Massachusetts
March 30, 2021

**TOWN OF LEICESTER, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U. S. Department of Agriculture				
Passed Through Commonwealth of Massachusetts				
Department of Elementary and Secondary Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	14-151	\$ - \$	44,657
School Breakfast Program - COVID-19	10.553	14-151	-	21,769
National School Lunch Program	10.555	14-151	-	173,311
National School Lunch Program - COVID-19	10.555	14-151	-	34,435
Non-Cash Financial Assistance - Commodities	10.555	14-151	-	55,201
Total Child Nutrition Cluster			-	329,373
Total U. S. Department of Agriculture			-	329,373
U. S. Department of Housing and Urban Development				
Passed Through Commonwealth of Massachusetts				
Department of Housing and Community Development:				
Community Development Fund - FY 2017	14.228	799	-	130,083
Total U. S. Department of Housing and Urban Development			-	130,083
U. S. Department of Justice				
Direct Programs:				
Byrne Memorial Justice Assistance Grant	16.738		-	3,163
Total U. S. Department of Justice			-	3,163
U. S. Department of Transportation				
Passed Through Commonwealth of Massachusetts				
Executive Office of Public Safety and Security:				
State and Community Highway Safety:				
Traffic Enforcement - 2020	20.600		-	6,214
Pedestrian/Bicycle Safety - 2019	20.600		-	2,494
Pedestrian/Bicycle Safety - 2020	20.600		-	600
Total State and Community Highway Safety			-	9,308
Passed Through Commonwealth of Massachusetts				
Emergency Management Agency:				
Hazardous Materials Emergency Planning - 2019	20.703		-	1,150
Total U. S. Department of Transportation			-	10,458
U. S. Department of Treasury				
Passed Through Commonwealth of Massachusetts				
Department of Revenue:				
Coronavirus Relief Fund	21.019		-	199,190
Total U. S. Department of Treasury			-	199,190
TOTAL PAGE 1 OF 2			\$ - \$	672,267

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

**TOWN OF LEICESTER, MASSACHUSETTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U. S. Department of Education				
Passed Through Commonwealth of Massachusetts				
Department of Elementary and Secondary Education:				
Title I Grants to Local Educational Agencies:				
Title I - 2018	84.010	305-145540-2018-0151	\$ - \$	6,228
Title I - 2019	84.010	305-210122-2019-0151	-	37,956
Title I - 2020	84.010	305-321658-2020-0151	-	149,245
Total Title I Grants to Local Educational Agencies			-	193,429
Special Education Cluster:				
Special Education PL 94-142 Allocation - 2019	84.027	240-209580-2019-0151	-	120,181
Special Education PL 94-142 Allocation - 2020	84.027	240-345003-2020-0151	-	240,412
Special Education Early Childhood Allocation - 2019	84.173	262-235678-2019-0151	-	12
Special Education Early Childhood Allocation - 2020	84.173	262-345005-2020-0151	-	15,454
Total Special Education Cluster			-	376,059
Improving Teacher Quality State Grants:				
Teacher Quality - 2019	84.367	140-210123-2019-0151	-	5,317
Teacher Quality - 2020	84.367	140-321657-2020-0151	-	22,766
Total Improving Teacher Quality State Grants			-	28,083
Student Support and Academic Enrichment Program:				
Student Support and Academic Enrichment - 2019	84.424	309-210124-2019-0151	-	2,829
Student Support and Academic Enrichment - 2020	84.424	309-321659-2020-0151	-	4,808
Total Student Support and Academic Enrichment Program			-	7,637
Total U. S. Department of Education			-	605,208
U. S. Department of Health and Human Services				
Direct Program:				
CARES Act Provider Relief Fund	93.354		-	4,283
Total U. S. Department of Health and Human Services			-	4,283
U. S. Department of Homeland Security				
Passed Through Commonwealth of Massachusetts				
Emergency Management Agency:				
Emergency Management Performance Grants	97.042		-	1,507
Total U. S. Department of Homeland Security			-	1,507
TOTAL PAGE 2 OF 2			-	610,998
TOTAL PAGE 1 OF 2			-	672,267
TOTAL FEDERAL AWARDS EXPENDED			\$ - \$	1,283,265

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

TOWN OF LEICESTER, MASSACHUSETTS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2020

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Town of Leicester, Massachusetts, under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Leicester, Massachusetts, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Leicester, Massachusetts.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COSTS

The Town of Leicester, Massachusetts, did not use the de minimis cost rate. The Town of Leicester, Massachusetts, has not charged any indirect costs to any of its federal award programs.

NOTE D – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

NOTE E – OUTSTANDING DEBT OBLIGATIONS TO THE FEDERAL GOVERNMENT

As of June 30, 2020, the Town of Leicester, Massachusetts, had \$341,017.41 in outstanding bonds due to the U. S. Department of Agriculture. The bonds are maturing through fiscal year 2042. During the year ended June 30, 2020, the Town of Leicester, Massachusetts, paid \$10,357.11 principal and \$11,858.89 interest on these bonds.

**TOWN OF LEICESTER, MASSACHUSETTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)? ☐ Yes ☒ No

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)? ☐ Yes ☒ None Reported

Type of Auditor’s Report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	U. S. Department of Education – Title I
84.027, 84.173	U. S. Department of Education – Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV – PRIOR YEAR FINDINGS

None reported.