

TOWN OF LEICESTER, MASSACHUSETTS
Report on the Examination of Basic Financial Statements
For the Year Ended June 30, 2017

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TABLE OF CONTENTS

	<u>Page</u>
TABLE OF CONTENTS	2
INDEPENDENT AUDITOR'S REPORT ON:	
Basic Financial Statements	3-4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5-11
BASIC FINANCIAL STATEMENTS	12
Statement of Net Position	13
Statement of Activities	14
Balance Sheet - Governmental Funds	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Position	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Revenues and Expenditures – Budgetary Basis – (NON-GAAP) – Budget and Actual – General Fund	19
Reconciliation of Revenues and Expenditures from Budgetary Basis to GAAP Basis	20
Statement of Fiduciary Net Position – Fiduciary Funds	21
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	22
Notes to the Financial Statements	23-53
REQUIRED SUPPLEMENTARY INFORMATION	54
Pension Plan Schedules	55-56
Other Postemployment Benefit Plan (GASB 45) Schedule	57
Other Postemployment Benefit Plan (GASB74) Schedules	58-59
SUPPLEMENTARY SCHEDULES	60
Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds.....	61-62
Schedule of Real Estate, Personal Property and Rollback Taxes	63
Schedule of Motor Vehicle and Boat Excise Taxes.....	64
Schedule of Tax Liens and Tax Foreclosures	65

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, 2017, 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, 2017, 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 April 26, 2018, on our consideration of the Town of Leicester, Massachusetts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Leicester, Massachusetts' internal control over financial reporting and compliance.

Scanlon & Associates, LLC
South Deerfield, Massachusetts

April 26, 2018

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, 2017. The intent of this discussion and analysis is to look at the Town's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Town's financial performance.

Financial Highlights

- The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$14,226,345 (net position) for the fiscal year reported. This compares to the previous year when assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$13,882,618 or an increase of \$343,727 (2%).
- At the close of the current fiscal year, the Town's total governmental funds reported total ending fund balance of \$10,623,469 this year, an increase of \$3,176,205 (43%).
- The General Fund's total fund balance increased \$171,323 (5%) to \$3,293,205. The ending General fund balance is 10% of revenues and transfers in and 10% of expenditures and transfers out.
- Total liabilities of the Town increased by \$9,475,422 (27%) to \$44,840,321 during the fiscal year. This was mainly attributed to net increases in warrants and accounts payable of \$920,952, in the Other Post Employment Benefits (OPEB) payable of \$1,353,494, in the net pension liability of \$2,732,690 and in bonds and leases payable of \$4,254,041.
- The Town had General fund free cash certified by the Department of Revenue in the amount of \$968,300. The key factors that attributed to the free cash amount for fiscal year 2017 were unexpended/unencumbered appropriations of \$351,000, excess over budget state and local receipts of \$487,900 and prior year free cash not appropriated of \$165,300.

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		
	2017	2016	Change
Assets:			
Current assets	\$ 16,807,913	\$ 12,423,147	\$ 4,384,766
Capital assets	40,867,007	37,392,847	3,474,160
Total assets	57,674,920	49,815,994	7,858,926
Deferred Outflows of Resources:			
Deferred outflows related to pensions	2,874,876	1,289,181	1,585,695
Liabilities:			
Current liabilities (excluding debt and lease)	3,139,530	2,068,362	1,071,168
Current debt and lease	2,760,548	2,345,878	414,670
Noncurrent liabilities (excluding debt and lease)	29,421,273	25,328,475	4,092,798
Noncurrent debt and lease	9,518,970	5,622,184	3,896,786
Total liabilities	44,840,321	35,364,899	9,475,422
Deferred Inflows of Resources:			
Deferred inflows related to pensions	1,483,130	1,857,658	(374,528)
Net Position:			
Net Investment in Capital Assets	28,703,893	29,561,133	(857,240)
Restricted	8,729,666	4,815,092	3,914,574
Unrestricted	(23,207,214)	(20,493,607)	(2,713,607)
Total net position	\$ 14,226,345	\$ 13,882,618	\$ 343,727

Financial Highlights
Statement of Activities Highlights

	Governmental Activities		
	2017	2016	Change
Program Revenues:			
Charges for services	\$ 1,910,332	\$ 1,850,100	\$ 60,232
Operating grants and contributions	16,306,374	16,366,082	(59,708)
Capital grants and contributions	2,948,494	1,376,601	1,571,893
General Revenues:			
Property taxes	14,068,681	13,245,331	823,350
Motor vehicle and other excise taxes	1,550,476	1,539,459	11,017
Penalties and interest on taxes	179,163	193,196	(14,033)
Nonrestricted grants	1,762,215	1,739,400	22,815
Unrestricted investment income	46,430	62,847	(16,417)
Miscellaneous	23,112	16,330	6,782
Total revenues	38,795,277	36,389,346	2,405,931
Expenses:			
General government	1,430,562	2,022,310	(591,748)
Public safety	3,377,067	3,463,568	(86,501)
Public works	2,505,166	2,457,583	47,583
Education	20,050,211	20,145,756	(95,545)
Health and human services	272,808	273,724	(916)
Culture and recreation	223,710	782,709	(558,999)
Employee and pension benefits	9,802,481	8,376,692	1,425,789
State assessments	572,683	503,182	69,501
Interest	216,862	210,259	6,603
Total expenses	38,451,550	38,235,783	215,767
Change in net position	343,727	(1,846,437)	2,190,164
Net position - beginning of year	13,882,618	15,729,055	(1,846,437)
Net position - end of year	\$ 14,226,345	\$ 13,882,618	\$ 343,727

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$14,226,345 at the close of fiscal year 2017.

Net position of \$28,703,893 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, \$8,729,666 represents resources that are subject to external restrictions on how they may be used. The remaining balance consists of *unrestricted net position* (\$23,207,214).

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 \$343,727 (2%) during the current fiscal year. The key elements of the increase in net position for fiscal year 2017 are attributed to a net increase in the acquisition of \$6,042,264 in new capital assets exceeding the depreciation expense (normally spread out over the useful life of the asset) for the year of \$2,568,104 and change in the deferred outflow/(inflow) of resources related to pensions of \$1,960,223, and decreases as a result of the net change in debt and leases of \$4,254,041, in recognizing this year's OPEB obligation of \$1,353,494 and net pension liability of \$2,732,690.

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 \$10,623,469 an increase of \$3,176,205 (43%) 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 – \$6,921,527 (65%).
- Committed fund balance – \$410,627 (4%).
- Assigned fund balance – \$1,208,978 (11%).
- Unassigned fund balance – \$2,046,490 (19%).

At the end of the fiscal year, the *General Fund* reported a fund balance of \$3,293,205 increasing \$171,323 (5%) from the prior year. Of the \$3,293,205, the unassigned amount is \$2,075,600 (63%), the restricted amount is \$8,627 (1%) and the assigned amount is \$1,208,978 (36%). General fund revenues were \$1,616,255 (5%) more than the prior fiscal year while expenditures also increased by \$1,376,352 (5%). Other activities in the General Fund were net transfers from other funds of \$245,416.

The main components of the increases in general fund revenues as compared to the prior year are related increases in property taxes of \$839,773 (6%) and in intergovernmental – “on-behalf” payments of \$907,818 (36%).

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

- Decrease in General government expenditures of \$104,090 (8%).
- Decrease in Public works expenditures of \$120,543 (11%).
- Increase in Employee and pension benefits expenditures of \$1,279,575 (20%).
- Increase in Debt expenditures (principal and interest) of \$253,647 (32%).

The *New Fire/Emergency Management Services (EMS) Headquarters Construction Fund* is used to account for the building of a new public safety facility. The fund has a balance of \$1,701,891 and shows an increase of \$2,247,654 (412%) in total operations. The activity in the fund is attributed to expenditures of \$2,605,660 a bond premium of \$5,000 and issuance of bonds and notes of \$4,948,314. The Town has a bond anticipation note outstanding of \$1,557,415 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 2017 was \$29,062,404. This was an increase of \$449,553 (2%) 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 special town meetings for various budget operating line items.

General fund expenditures were less than budgeted by \$858,747. Of the \$858,747 in under budget expenditures, \$507,761 has been carried over to fiscal year 2018.

There are negative variances in property taxes of \$52,584 as actual receipts did not meet budget expectations.

There was a negative variance in state assessments of \$43,572 due to a higher assessments in special education of \$13,857 and in charter school sending tuitions of \$28,997, and lower assessments in the registry of motor vehicles non-renewal surcharges of \$2,940 and in the school choice sending tuitions of \$83,486 than the actual payments.

The variance with the final budget was a positive \$786,308 consisting of a revenue surplus of \$435,322 and an appropriation surplus of \$350,986.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental activities as of June 30, 2017 amounts to \$40,867,007.

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

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

- Town Hall improvements for \$16,609.
- Town-wide energy upgrades for \$40,223.
- Police vehicles and equipment purchases for \$105,040.
- Radio communications upgrade for \$10,267.
- Police Station security upgrades for \$24,109.
- New Fire/EMS headquarters construction for \$2,605,660.
- Fire Department vehicle and equipment purchases for \$464,479.
- Highway vehicle and equipment purchases for \$57,310.
- Road infrastructure improvements for \$403,964.
- School vehicle purchase for \$48,061.
- Leicester High School roof improvements for \$1,644,409.
- Library renovations for \$622,133.

Debt Administration. The Town's outstanding governmental debt, as of June 30, 2017, totaled \$10,149,752, of which \$516,086 is for school construction and remodeling projects, \$5,812,538 is for building construction, \$1,120,544 is for land purchases, \$451,918 is for water mains, \$116,404 is for Title V septic loans and \$2,132,262 is for energy update equipment lease.

The Town also has capital leases for financing of three fire department vehicles (two trucks and an ambulance). The last leases are due in 2021. The Town currently owes \$502,206 on the leases consisting of \$472,351 in principal and \$29,855 in interest.

In addition, the Town has a bond anticipation note outstanding in the amount of \$1,657,415 (\$1,557,415 for the new fire/EMS headquarters construction project and \$100,000 for Town Hall renovations).

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, 2017 do not reflect the fiscal year 2018 Town Meeting action with the exception of the free cash and overlay surplus amounts. The Annual Town Meeting on May 2, 2017 authorized a fiscal year 2018 operating and capital budget as follows:

From the tax levy		\$	28,076,566
From Other Available Funds:			
General Fund:			
Unassigned fund balance:			
Free cash	\$	672,402	
Overlay surplus		20,000	692,402
Non-major Governmental Funds:			
Ambulance Reserve		285,000	
Conservation Commission Fees		3,882	
Septic Repair Programs		19,944	308,826
		\$	<u>29,077,794</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.

BASIC FINANCIAL STATEMENTS

TOWN OF LEICESTER, MASSACHUSETTS
STATEMENT OF NET POSITION
JUNE 30, 2017

	Primary Government
	Governmental
	Activities
<hr/>	
ASSETS	
CURRENT:	
Cash and Cash Equivalents	\$ 13,168,398
Investments	1,735,681
Cash and Investments in Custody of Others	130,300
Receivables, net of allowance for uncollectibles:	
Property Taxes	568,136
Tax Liens	206,422
Excise Taxes	190,794
Departmental	251,833
Due from Other Governments	434,281
Tax Foreclosures	122,068
Total current assets	<u>16,807,913</u>
NONCURRENT:	
Capital Assets, net of accumulated Depreciation	
Nondepreciable	10,642,102
Depreciable	<u>30,224,905</u>
Total noncurrent assets	<u>40,867,007</u>
Total Assets	<u><u>57,674,920</u></u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions	<u>2,874,876</u>
 LIABILITIES	
CURRENT:	
Warrants and Accounts Payable	1,419,921
Accrued Payroll	1,347,119
Retainage Payable	107,491
Payroll Withholdings	94,591
Tax Refund Payable	47,000
Accrued Interest	55,791
Other	21,781
Compensated Absences	45,836
Notes Payable	1,657,415
Bonds and Leases Payable	1,103,133
Total current liabilities	<u>5,900,078</u>
NONCURRENT:	
Compensated Absences	386,794
OPEB Obligation Payable	11,372,630
Net Pension Liability	17,661,849
Bonds and Leases Payable	9,518,970
Total noncurrent liabilities	<u>38,940,243</u>
Total Liabilities	<u><u>44,840,321</u></u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions	<u>1,483,130</u>
 NET POSITION	
Net Investment in Capital Assets	28,703,893
Restricted for:	
Capital Projects	5,199,571
Federal & State Grants	1,188,770
Permanent Funds	
Expendable	183,859
Nonexpendable	35,847
Other Purposes	2,121,619
Unrestricted	(23,207,214)
Total Net Position	<u><u>\$ 14,226,345</u></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, 2017**

	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	\$ 1,430,562	\$ 130,802	\$ 200,389	\$ -	\$ (1,099,371)
Public Safety	3,377,067	898,528	227,366	-	(2,251,173)
Public Works	2,505,166	40,184	67,877	435,909	(1,961,196)
Education	20,050,211	775,678	12,129,362	819,279	(6,325,892)
Health and Human Services	272,808	53,115	104,722	-	(114,971)
Culture and Recreation	223,710	12,025	40,778	1,693,306	1,522,399
Employee and Pension Benefits	9,802,481	-	3,535,880	-	(6,266,601)
State Assessments	572,683	-	-	-	(572,683)
Interest	216,862	-	-	-	(216,862)
Total Governmental Activities	38,451,550	1,910,332	16,306,374	2,948,494	(17,286,350)
Total Primary Government	\$ 38,451,550	\$ 1,910,332	\$ 16,306,374	\$ 2,948,494	(17,286,350)
General Revenues:					
Property Taxes					14,068,681
Motor vehicle excise and other taxes					1,550,476
Penalties & Interest on Taxes					179,163
Grants & Contributions not restricted to specific programs					1,762,215
Unrestricted Investment Income					46,430
Miscellaneous					23,112
Total General Revenues					17,630,077
Change in Net Position					343,727
Net Position:					
Beginning of year					13,882,618
End of year					\$ 14,226,345

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

TOWN OF LEICESTER, MASSACHUSETTS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	New Fire/EMS Headquarters Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 3,300,804	\$ 4,224,018	\$ 5,643,576	\$ 13,168,398
Investments	1,735,681	-	-	1,735,681
Cash and Investments in Custody of Others	-	-	130,300	130,300
Receivables, net of allowance for uncollectibles:				
Property Taxes	568,136	-	-	568,136
Tax Liens	206,422	-	-	206,422
Excise Taxes	190,794	-	-	190,794
Departmental	-	-	251,833	251,833
Due from Other Governments	122,911	-	311,370	434,281
Tax Foreclosures	122,068	-	-	122,068
Total Assets	\$ 6,246,816	\$ 4,224,018	\$ 6,337,079	\$ 16,807,913
Liabilities:				
Warrants and Accounts Payable	\$ 401,988	\$ 857,221	\$ 160,712	\$ 1,419,921
Accrued Payroll	1,324,385	-	22,734	1,347,119
Retainage Payable	-	107,491	-	107,491
Payroll Withholdings	94,591	-	-	94,591
Tax Refund Payable	47,000	-	-	47,000
Other	21,781	-	-	21,781
Notes Payable	-	1,557,415	100,000	1,657,415
Total Liabilities	1,889,745	2,522,127	283,446	4,695,318
Deferred Inflows of Resources:				
Unavailable Revenue	1,063,866	-	425,260	1,489,126
Fund Balance:				
Nonspendable	-	-	35,847	35,847
Restricted	8,627	1,701,891	5,211,009	6,921,527
Committed	-	-	410,627	410,627
Assigned	1,208,978	-	-	1,208,978
Unassigned	2,075,600	-	(29,110)	2,046,490
Total Fund Balance	3,293,205	1,701,891	5,628,373	10,623,469
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,246,816	\$ 4,224,018	\$ 6,337,079	\$ 16,807,913

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, 2017

	General Fund	New Fire/EMS Headquarters Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 14,028,662	\$ -	\$ -	\$ 14,028,662
Intergovernmental	11,700,431	-	5,534,820	17,235,251
Excise and Other Taxes	1,538,607	-	-	1,538,607
Licenses, Permits and Fees	636,272	-	-	636,272
Charges for Services	-	-	1,535,534	1,535,534
Interest and Penalties on Taxes	179,163	-	-	179,163
Investment Income	46,429	-	9,162	55,591
Gifts and Donations	-	-	47,802	47,802
Other	-	-	15,779	15,779
Intergovernmental - "On-behalf" Payments	3,440,570	-	-	3,440,570
Total Revenues	31,570,134	-	7,143,097	38,713,231
Expenditures:				
Current:				
General Government	1,245,427	-	166,386	1,411,813
Public Safety	3,045,197	2,605,660	795,445	6,446,302
Public Works	998,041	-	517,856	1,515,897
Education	16,681,102	-	4,391,287	21,072,389
Health and Human Services	184,042	-	49,006	233,048
Culture and Recreation	191,884	-	645,011	836,895
Employee and Pension Benefits	7,676,058	-	462	7,676,520
State Assessments	572,683	-	-	572,683
Debt Service:				
Principal	828,206	-	-	828,206
Interest	221,587	-	-	221,587
Total Expenditures	31,644,227	2,605,660	6,565,453	40,815,340
Excess of Revenues Over (Under) Expenditures	(74,093)	(2,605,660)	577,644	(2,102,109)
Other Financing Sources (Uses):				
Operating Transfers In	443,320	-	197,904	641,224
Operating Transfers Out	(197,904)	-	(443,320)	(641,224)
Bond Premium	-	5,000	-	5,000
Proceeds from Bonds and Notes	-	4,848,314	-	4,848,314
Capital Lease	-	-	425,000	425,000
Total Other Financing Sources (Uses)	245,416	4,853,314	179,584	5,278,314
Net Change in Fund Balances	171,323	2,247,654	757,228	3,176,205
Fund Balances, Beginning of Year	3,121,882	(545,763)	4,871,145	7,447,264
Fund Balances, End of Year	\$ 3,293,205	\$ 1,701,891	\$ 5,628,373	\$ 10,623,469

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, 2017

Total Governmental Fund Balances		\$ 10,623,469
Capital Assets (net) used in governmental activities are not financial resources and therefore, are not reported in the funds.		40,867,007
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis.		1,489,126
Certain changes in the net pension liability are required to be included in pension expense over future periods. These changes are reported as deferred outflows of resources or (deferred inflows of resources) related to pensions.		1,391,746
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	\$ (10,622,103)	
Other Post Employment Benefits Payable	(11,372,630)	
Net Pension Liability	(17,661,849)	
Compensated Absences	<u>(432,630)</u>	(40,089,212)
In the statement of activities, interest is accrued on outstanding long term debt, whereas in the governmental funds, interest is not reported until due.		<u>(55,791)</u>
Net Position of Governmental Activities		<u><u>\$ 14,226,345</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, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 3,176,205

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	\$ 6,042,264	
Depreciation	<u>(2,568,104)</u>	3,474,160

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. 77,046

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	1,019,273	
Proceeds from Issuance of Bonds and Notes	(4,848,314)	
Capital Lease Financing	<u>(425,000)</u>	(4,254,041)

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	(8,407)	
Net Change in Other Post Employment Benefits	(1,353,494)	
Net Change in Deferred Outflow/(Inflow) of Resources Related to Pensions	1,960,223	
Net Change in Net Pension Liability	(2,732,690)	
Net Change in Accrued Interest on Long-Term Debt	<u>4,725</u>	(2,129,643)

Change in Net Position of Governmental Activities \$ 343,727

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, 2017

	Budgeted Amounts			Actual Budgetary Amounts	Amounts Carried Forward to Next Year	Variance with Final Budget Positive (Negative)
	Amounts Carried Forward from Prior Year	Original Budget	Final Budget			
Revenues:						
Property Taxes	\$ -	\$ 14,072,276	\$ 13,976,247	\$ 13,923,663	\$ -	\$ (52,584)
Intergovernmental	-	11,630,513	11,630,513	11,700,431	-	69,918
Excise and Other Taxes	-	1,328,121	1,328,121	1,538,607	-	210,486
Licenses, Permits, Fees	-	468,979	468,979	636,272	-	167,293
Interest and Penalties on Taxes	-	163,000	163,000	179,163	-	16,163
Investment income	-	22,000	22,000	46,046	-	24,046
Total Revenues	-	27,684,889	27,588,860	28,024,182	-	435,322
Expenditures:						
Current:						
General Government	102,868	1,300,866	1,447,649	1,245,427	86,230	115,992
Public Safety	219,076	2,811,612	3,282,470	3,045,197	219,785	17,488
Public Works	110,332	950,275	1,189,761	998,041	86,051	105,669
Education	97,832	16,836,800	16,799,478	16,681,102	115,161	3,215
Health and Human Services	-	199,058	207,558	184,042	534	22,982
Culture and Recreation	350	191,805	195,155	191,884	-	3,271
Employee and Pension Benefits	9,318	4,497,596	4,360,923	4,235,488	-	125,435
State Assessments	-	529,111	529,111	572,683	-	(43,572)
Debt Service:						
Principal	-	844,894	828,208	828,206	-	2
Interest	-	165,359	222,091	221,587	-	504
Total Expenditures	539,776	28,327,376	29,062,404	28,203,657	507,761	350,986
Excess of Revenues Over (Under) Expenditures	(539,776)	(642,487)	(1,473,544)	(179,475)	(507,761)	786,308
Other Financing Sources (Uses):						
Operating Transfers In	-	293,465	421,660	443,320	-	21,660
Operating Transfers Out	-	(35,000)	(232,904)	(232,904)	-	-
Total Other Financing Sources (Uses)	-	258,465	188,756	210,416	-	21,660
Net Change in Budgetary Fund Balance	(539,776)	(384,022)	(1,284,788)	\$ 30,941	\$ (507,761)	\$ 807,968
Other Budgetary Items:						
Free Cash and Other Reserves	-	384,022	745,012			
Prior Year Encumbrances	539,776	-	539,776			
Total Other Budgetary Items	539,776	384,022	1,284,788			
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, 2017

	Revenues	Expenditures
Reported on a Budgetary Basis	\$ 28,024,182	\$ 28,203,657
<u>Adjustments:</u>		
Activity for Stabilization Funds Recorded in the General Fund for GAAP Purposes	382	-
Net Increase in Revenue from recording Refund Taxes Payable	62,000	-
Recognition of Intergovernmental Revenue - "on behalf payments"	3,440,570	-
Recognition of Expenditures - "on behalf payments"	-	3,440,570
Net Increase in Revenue from Recording 60-Day Receipts	43,000	-
Reported on a GAAP Basis	\$ 31,570,134	\$ 31,644,227

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, 2017**

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ 35,996	\$ 3,485	\$ 456,534
District Tax Receivables	-	-	250,249
Total Assets	35,996	3,485	706,783
LIABILITIES			
Warrants Payable	-	-	21,822
Due to Others	-	-	7,689
Due to Districts	-	-	333,246
Due to Student Groups	-	-	131,631
Escrows and Deposits	-	-	212,395
Total Liabilities	-	-	706,783
NET POSITION			
Held in Trust for Other Purposes	\$ 35,996	\$ 3,485	\$ -

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, 2017**

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
Additions:		
Contributions:		
Employer Contributions	\$ 829,727	\$ -
Total Contributions	829,727	-
Investment Income	996	\$ 7
Total Additions	830,723	7
Deductions:		
Educational Scholarships	-	1,000
Employee Benefits	794,727	-
Total Deductions	794,727	1,000
Change in Net Position	35,996	(993)
Net Position at Beginning of Year	-	4,478
Net Position at End of Year	\$ 35,996	\$ 3,485

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, 2017

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 2017, 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, 2017

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, 2017

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 public safety facility.

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

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

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

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

Additionally, the Town reports the following fund types:

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

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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.

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.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Property Taxes, Tax Liens and Tax Foreclosures

Property taxes are based on assessments as of January 1, 2016 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 2017 on June 30, 2016 that were due on August 1, 2016 and November 1, 2016 and the actual tax bills were mailed on December 30, 2016 were due on February 1, 2017 and May 1, 2017, 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 2017 is as follows:

Legal Levy Limit Under Proposition	
2 1/2 for fiscal year 2017	\$ 13,469,075
Add: Debt Exclusion	662,172
	<u>\$ 14,131,247</u>

The total amount raised by taxation was \$14,126,571.

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

Excise Taxes

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

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

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

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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.

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.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

I. Deferred Outflows/Inflows of Resources

Government-wide financial statements

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

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

Fund financial statements

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

J. Net Position and Fund Balances

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

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

Net position has been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

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

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

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

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

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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.

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.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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.

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.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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 2017, the Town incurred a final budget deficit of \$1,284,788 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	\$ 725,012
Overlay surplus	20,000
Prior year's encumbrances	539,776
	<hr/>
	\$ 1,284,788
	<hr/>

B. Deficit Fund Balances

The following funds have deficits at June 30, 2017 as measured by the balance of unreserved fund balance.

- The *Leicester High School roof construction fund*, a capital project fund and Massachusetts School Building Administration (MSBA) project, has a deficit of \$24,312. The deficit will be eliminated upon the future receipt of grant funds, issuance of permanent debt or upon appropriation.
- The *Town Hall 3rd Floor renovations fund*, a capital project fund, has a deficit of \$4,798. The Town has an outstanding bond anticipation note for \$100,000 for the project. The deficit will be eliminated upon the issuance of permanent debt.

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.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Deposits at June 30, 2017 were \$14,336,373. Of these, \$1,524,502 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.

As of June 30, 2017, 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	\$ 79,687	\$ -	\$ 79,687
U. S. government agencies	189,482	-	189,482
Corporate bonds	119,631	119,631	-
Money market mutual fund	37,974	37,974	-
	426,774	\$ 157,605	\$ 269,169
Other Investments:			
Equity mutual funds	35,071		
Equity securities - domestic (stocks)	71,888		
Certificates of deposit	1,201,948		
	\$ 1,735,681		

Custodial Credit Risks

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town's \$1,735,681 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, 2017

Credit Risk

The Town's exposure to credit risk as of June 30, 2017 is as follows:

Related Debt Instruments	Fair Value
<u>Moody's Quality Ratings</u>	
<i>U. S. Treasury Obligations:</i>	
Aaa	\$ 79,687
<i>U. S. Government Agencies:</i>	
Aaa	189,482
<i>Corporate Bonds:</i>	
A2	29,990
A3	29,707
Baa1	59,934
<i>Money Market Mutual Funds:</i>	
Not rated	37,974
	<u>\$ 426,774</u>

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in one issuer. More than 5 percent of the Town's total investments are in the Federal Home Loan Mortgage Corp. amounting to 10.92% of the Town's total investments.

Cash and Investments in Custody of Trustees

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

Fair Value of Investments

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

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

The Town has the following recurring fair value measurements as of June 30, 2017:

Investment Type	Fair Value	Investment Maturities		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
U. S. treasury obligations	\$ 79,687	\$ 79,687	\$ -	\$ -
U. S. government agencies	189,482	189,482	-	-
Certificates of deposit	1,201,948	1,201,948	-	-
Equity mutual funds	35,071	35,071	-	-
Equity securities - domestic	71,888	71,888	-	-
Corporate bonds	119,631	-	119,631	-
Municipal bonds	37,974	-	37,974	-
Total Investments	\$ 1,735,681	\$ 1,578,076	\$ 157,605	\$ -

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, 2017, 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	\$ 573,786	\$ (5,650)	\$ 568,136
Tax liens	206,422	-	206,422
Excise taxes	271,269	(80,475)	190,794
Departmental	1,143,024	(891,191)	251,833
Due from other governments	434,281	-	434,281
Tax foreclosures	122,068	-	122,068
Fiduciary funds:			
District tax receivables	250,249	-	250,249
	<u>\$ 3,001,099</u>	<u>\$ (977,316)</u>	<u>\$ 2,023,783</u>

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

The composition of amounts due from other governments as of June 30, 2017 for governmental funds is as follows:

General Fund:

Commonwealth of Massachusetts:

Department of Revenue:		
Veterans, blind and surviving spouse	\$	45,465
Department of Veterans Services:		
Veterans benefits		77,446
		<u>\$ 122,911</u>

Nonmajor Governmental Funds:

U. S. Department of Agriculture:

School lunch	27,077
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U. S. Department of Education:

School title grants	12,641
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Commonwealth of Massachusetts:

Department of Elementary and Secondary Education:

School lunch	746
School title grants	886

Executive Office of Public Safety and Homeland Security	1,286
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Massachusetts Department of Transportation:

Highway Department	231,972
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Massachusetts School Building Authority:

School Building Assistance - capital portion	35,457
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Others	<u>1,305</u>	<u>311,370</u>
	<u>\$</u>	<u>434,281</u>

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	\$	467,136
Tax liens		206,422
Excise taxes		190,794
Due from other governments		77,446
Tax foreclosures		122,068
		<u>\$ 1,063,866</u>

Nonmajor Governmental Funds:

Departmental	\$	195,918
Due from other governments		229,342
		<u>425,260</u>
	<u>\$</u>	<u>1,489,126</u>

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

D. Capital Assets

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 5,278,740	\$ -	\$ -	\$ 5,278,740
Construction in progress	2,769,917	4,939,301	(2,345,856)	5,363,362
Total capital assets not being depreciated	8,048,657	4,939,301	(2,345,856)	10,642,102
Capital assets being depreciated:				
Buildings and Renovations	26,851,627	2,369,965	-	29,221,592
Machinery, equipment and other	5,226,400	674,890	(95,571)	5,805,719
Infrastructure	66,081,680	403,964	-	66,485,644
Total capital assets being depreciated	98,159,707	3,448,819	(95,571)	101,512,955
Less accumulated depreciation for:				
Buildings and Renovations	18,321,644	849,319	-	19,170,963
Machinery, equipment and other	3,795,400	355,756	(95,571)	4,055,585
Infrastructure	46,698,473	1,363,029	-	48,061,502
Total accumulated depreciation	68,815,517	2,568,104	(95,571)	71,288,050
Total capital assets being depreciated, net	29,344,190	880,715	-	30,224,905
Total governmental activities capital assets, net	\$ 37,392,847	\$ 5,820,016	\$ (2,345,856)	\$ 40,867,007

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

Governmental Activities:	
General government	\$ 73,521
Public safety	333,889
Public works	1,449,072
Education	663,232
Health and human services	41,298
Culture and recreation	7,092
Total depreciation expense - governmental activities	<u>\$ 2,568,104</u>

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

E. Interfund Receivables, Payables and Transfers

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

Transfers Out:	Transfers In:		Total
	General fund	Nonmajor Governmental fund	
General fund	\$ -	\$ 197,904	\$ 197,904
Nonmajor governmental funds	443,320	-	443,320
Total transfers out	\$ 443,320	\$ 197,904	\$ 641,224

F. Leases

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

The assets, including any expiring in 2017, acquired through the capital leases are as follows:

Asset:	Governmental Activities
Machinery, Equipment and Other	\$ 975,000
Less: Accumulated Depreciation	(214,930)
Total	\$ 760,070

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017 are as follows:

Year Ending June 30,	Governmental Activities
2018	\$ 197,222
2019	124,822
2020	90,081
2021	90,081
Total minimum lease payments	502,206
Less: amount representing interest	(29,855)
Present value of minimum lease payments	\$ 472,351

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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, 2016	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2017
Governmental Activities						
Bond Anticipation Note:						
Fire/EMS headquarters construction	0.70%	4/12/2017	\$ 1,600,000	\$ -	\$ 1,600,000	\$ -
Fire/EMS headquarters construction	1.20%	10/26/2017	-	1,557,415	-	1,557,415
Town Hall renovations	1.20%	10/26/2017	-	100,000	-	100,000
Total Governmental Activities			<u>\$ 1,600,000</u>	<u>\$ 1,657,415</u>	<u>\$ 1,600,000</u>	<u>\$ 1,657,415</u>

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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, 2017
Inside Debt:					
Municipal Purpose Loan of 2010:					
Remodel Roofs	4.20%	8/13/2010	8/1/2020	\$ 388,679	\$ 145,000
U.S. Department of Agriculture:					
School project	3.38%	6/27/2012	6/27/2042	160,500	143,516
School project	3.38%	6/27/2012	6/27/2042	254,500	227,570
Refunding Loan of 2015:					
Land Acquisition (Hillcrest Country Club)	1.57%	6/15/2015	11/15/2023	1,351,271	1,042,230
Land Acquisition (Police)	1.57%	6/15/2015	11/15/2020	116,944	78,314
Police Station	1.57%	6/15/2015	11/15/2023	1,485,552	1,147,538
Lease Purchase Agreement of 2015:					
Energy Update Equipment	2.79%	11/10/2015	8/1/2035	2,237,835	2,132,262
Municipal Purpose Loan of 2016:					
Fire Station Construction					4,665,000
Total Inside Debt					<u>9,581,430</u>
Outside Debt:					
Refunding Loan of 2015:					
Water mains	1.57%	6/15/2015	11/15/2020	580,000	385,000
Water mains	1.57%	6/15/2015	11/15/2023	86,233	66,918
Massachusetts Clean Water Trust:					
Title V Septic Repair Program	Various	8/1/2001	8/1/2019	191,022	29,859
Title V Septic Repair Program	Various	8/1/2004	8/1/2022	64,592	20,438
Title V Septic Repair Program	0.00%	12/14/2006	7/15/2026	132,217	66,107
Total Outside Debt					<u>568,322</u>
Total governmental type debt					<u>\$ 10,149,752</u>

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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, 2017 are as follows:

Year	Principal	Interest	Total
2018	\$ 919,483	\$ 290,400	\$ 1,209,883
2019	729,532	262,637	992,169
2020	729,794	240,473	970,267
2021	725,324	218,522	943,846
2022	581,116	199,148	780,264
2023-2027	2,241,052	776,200	3,017,252
2028-2032	1,923,221	517,164	2,440,385
2033-2037	1,799,734	226,090	2,025,824
2038-2042	500,496	44,887	545,383
	<u>\$ 10,149,752</u>	<u>\$ 2,775,521</u>	<u>\$ 12,925,273</u>

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

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due within One Year
Governmental activities:					
Bond/Lease Payable:					
General obligation debt	\$ 5,993,296	\$ 4,665,000	\$ 624,948	\$ 10,033,348	\$ 899,539
Massachusetts Clean Water Trust bonds	136,348	-	19,944	116,404	19,944
Capital lease	238,418	425,000	191,067	472,351	183,650
Compensated absences	424,223	12,447	4,040	432,630	45,836
OPEB liability obligation	10,019,136	1,353,494	-	11,372,630	-
Net pension liability	14,929,159	2,732,690	-	17,661,849	-
Governmental activity Long-term liabilities	<u>\$ 31,740,580</u>	<u>\$ 9,188,631</u>	<u>\$ 839,999</u>	<u>\$ 40,089,212</u>	<u>\$ 1,148,969</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, 2017 for principal and interest combined for the loans are \$121,996. The Town is scheduled to be subsidized for interest in the amount of \$5,592. The net repayments, including interest, are scheduled to be \$116,404. 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 2017 interest subsidies totaled \$3,084.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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, 2017 totaled \$9,581,430.

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

Equalized Valuation-Real Estate and Personal Property (2016)		\$ 938,090,200
Debt Limit: 5 % of Equalized value		<u>46,904,510</u>
Total Debt Outstanding	\$ 10,149,752	
Less: Debt Outside Debt Limit	<u>(568,322)</u>	<u>9,581,430</u>
Inside Debt Excess Borrowing Capacity at June 30, 2017		<u><u>\$ 37,323,080</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, 2017 and are not reflected in the Town's financial statements are as follows:

Date Town Meeting Authorized	Purpose	Amount
1/27/2004	Land acquisition, Pleasant Street (Hillcrest Country Club)	\$ 100,000
5/4/2015	Energy updates to municipal and school facilities	19,165
9/15/2015	New Fire and EMS headquarters	89,271
10/20/2015	Library construction	8,900,157
10/20/2015	Leicester High School roof replacement	1,684,963
1/26/2016	Town Hall elevator	<u>260,100</u>
		<u><u>\$ 11,053,656</u></u>

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

I. Fund Balances

The following is a summary of the Town's Governmental fund balances at the year ended June 30, 2017:

	General Fund	New Fire/EMS Headquarters Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Permanent funds	\$ -	\$ -	\$ 35,847	\$ 35,847
Restricted:				
Federal, state and local grants	-	-	959,428	959,428
School revolving funds	-	-	1,599,091	1,599,091
Town revolving funds	-	-	184,441	184,441
Donations and gifts	-	-	149,832	149,832
Capital projects	-	1,701,891	1,869,375	3,571,266
Permanent funds	-	-	183,860	183,860
Reserve for debt	8,627	-	-	8,627
Other	-	-	264,982	264,982
	<u>8,627</u>	<u>1,701,891</u>	<u>5,211,009</u>	<u>6,921,527</u>
Committed:				
Ambulance reserve	-	-	363,233	363,233
Health insurance fund	-	-	6,855	6,855
Open space fund	-	-	1,258	1,258
Capital projects	-	-	36,957	36,957
Other	-	-	2,324	2,324
	<u>-</u>	<u>-</u>	<u>410,627</u>	<u>410,627</u>
Assigned:				
General government	86,230	-	-	86,230
Public safety	219,785	-	-	219,785
Public works	86,051	-	-	86,051
Education	115,161	-	-	115,161
Health and human services	534	-	-	534
Subsequent year's budget	701,217	-	-	701,217
	<u>1,208,978</u>	<u>-</u>	<u>-</u>	<u>1,208,978</u>
Unassigned:				
General Fund	2,075,600	-	-	2,075,600
Capital project deficit	-	-	(29,110)	(29,110)
	<u>2,075,600</u>	<u>-</u>	<u>(29,110)</u>	<u>2,046,490</u>
Total Governmental fund balances	<u>\$ 3,293,205</u>	<u>\$ 1,701,891</u>	<u>\$ 5,628,373</u>	<u>\$ 10,623,469</u>

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

J. Special Trust Funds

Stabilization Fund

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

At June 30, 2017 the balances in the stabilization funds are reported in the General Fund as unassigned fund balance consisting of the following:

General purpose stabilization fund	\$	678,077
Capital stabilization fund		37
Hillcrest capital stabilization fund		25,160
	\$	<u>703,274</u>

4. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town participates in a premium-based health care plan for its active employees. In addition, the Town has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties.

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

B. Contingent Liabilities

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

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. Subsequent Events

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

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

D. 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, 2016. The Town's portion of the collective pension expense contributed by the Commonwealth of \$3,440,570 on-behalf payments for the fiscal year ending June 30, 2017 is reported as intergovernmental revenues and employee and pension benefits expenditures in the General Fund as of the measurement date.

Benefits Provided

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

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

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

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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, 2016 was \$1,024,269, representing 18.35% 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, 2017, a reported liability of \$17,661,849 is the Town's proportionate share of the net pension liability as measured as of December 31, 2016. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. 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, 2016, the Town's proportional percentage was 2.1086%, which was a slight increase from the last measurement.

Pension Expense

For the year ended June 30, 2017, the Town recognized a pension expense of \$1,796,734 and reported deferred outflows of resources related to pensions of \$2,874,876 from the net difference between expected and actual experience, changes in assumptions, the net difference between projected and actual investment earnings on pension plan investments and the changes in allocated proportion; and deferred inflows of resources related to pensions of \$1,483,130 from the changes 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,		
	2018	\$ 311,567
	2019	311,569
	2020	309,680
	2021	136,842
	Thereafter:	322,088
		<u>\$ 1,391,746</u>

Actuarial Assumptions

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

Valuation date	January 1, 2016
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TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Actuarial cost method	Entry Age Normal
Amortization method	<p><i>Unfunded Actuarial Accrued Liability (UAAL):</i> Increasing dollar amount at 4.0% to reduce the UAAL to zero on or before June 30, 2035. The annual increase in appropriation is further limited to 9.95%.</p> <p><i>2002 & 2003 Early Retirement Incentive (ERI):</i> Increasing dollar amount at 4.5% to reduce the 2002 & 2003 ERI to zero on or before June 30, 2028 and the <i>2010 ERI to zero</i> on or before June 30, 2022.</p>
Asset valuation method	<p>The actuarial value of assets is the market value of assets as of the valuation date reduced by the sum of:</p> <p style="padding-left: 40px;">80% of the gains and losses of the prior year, 60% of the gains and losses of the second prior year, 40% of the gains and losses of the third prior year, and 20% of the fourth prior year.</p> <p>Investment gains and losses are determined by the excess or deficiency of the expected return over the actual return on the market value. The actuarial valuation of assets is further constrained to be not less than 80% or more than 120% of market value.</p>
Inflation	3% per year
Salary increases	<p>Group 1: 4.25% – 6%, based on service</p> <p>Group 4: 4.75% – 7%, based on service</p>
Investment rate of return	7.75%, net of pension plan investment expense, including inflation
Mortality rates	<p>RP-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB.</p> <p>RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB for disabled members</p>

Long-term Expected Rate of Return

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

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	40%	4.97%
Fixed income	22%	2.29%
Private Equity	11%	6.50%
Real Estate	10%	3.50%
Timber/Natural Resources	4%	3.00%
Hedge Funds	13%	3.48%
Other	0%	0.00%
Total	100%	

Rate of Return

For the year ended December 31, 2016, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 7.06%. The money-weighted rate of return considers the changing amounts actually invested during a period and weighs the amount of pension plan investments by the proportion of time they are available to earn a return during that period. The rate of return is then calculated by solving, through an iterative process, for the rate that equates the sum of the weighted external cash flows into and out of the pension plan investments to the ending fair value of pension plan investments.

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and that member employer contributions will be made in accordance with Section 22D and Section 22F of MGL Chapter 32. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.75%. As well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Town's net pension liability	\$ 21,273,905	\$ 17,661,849	\$ 14,612,675

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

E. Other Post Employment Benefits Payable

GASB Statement No. 45

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions, requires Towns to account for OPEB, primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns the post employment benefits, rather than when they use them. To the extent that an entity does not fund their actuarially required contribution, a post employment benefit liability is recognized on the Statement of Net Position.

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

Plan Description

In addition to providing pension benefits, the Town provided post-employment health care and life insurance benefits for retired employees, their dependents and beneficiaries. The benefits, benefit levels, employee and employer contributions are governed by Massachusetts General Law chapter 32. There are approximately 518 active and retired employees that meet the eligibility requirements. The plan does not issue a separate financial report.

Funding Policy

The contribution requirements of plan members and the Town are established pursuant to applicable collective bargaining and employment contracts. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2017 fiscal year, the Town provided required contributions of \$794,727 towards the annual OPEB cost, comprised of benefit payments made on behalf of retirees (net of reinsurance), administrative expenses and reinsurance payments, and net of retiree contributions.

Annual OPEB Cost and Net OPEB Obligation

The Town's annual other post employment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the Town's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Town's net OPEB obligation to the plan:

Annual required contribution	\$ 2,238,312
Interest on net OPEB obligation	400,765
Adjustment to annual required contribution	<u>(490,856)</u>
Annual OPEB cost (expense)	2,148,221
Contributions made during the fiscal year	<u>(794,727)</u>
Increase in net OPEB obligation	1,353,494
Net OPEB Obligation - beginning of year	10,019,136
Net OPEB Obligation - end of year	<u><u>\$ 11,372,630</u></u>

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2017 fiscal year and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 2,148,221	37.0%	\$ 11,372,630
6/30/2016	\$ 2,035,194	40.0%	\$ 10,019,136
6/30/2015	\$ 1,761,824	43.1%	\$ 8,797,253

Funded Status and Funding Process

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Funding Progress, presented as Required Supplementary Information following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the Actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

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

The unfunded actuarial accrued liability is being amortized over 30 years on a level percentage of payrolls. The remaining amortization period at June 30, 2017 is 22 years.

GASB Statement No. 74

The Town did establish a trust fund in order to contribute funds to reduce the future OPEB liability. As of June 30, 2017, the trust balance is \$35,996.

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

Investments

The OPEB Trust fund does not have a formal investment policy. As of June 30, 2017, investments, concentration and rate of return information consisted of pooled funds in the Town's Bartholomew Commonwealth Financial investments described earlier under Investment Policies (refer to note 3A).

Net OPEB Liability

The components of the net OPEB liability are as follows:

	<u>6/30/2017</u>
Total OPEB liability	\$ 28,233,228
Less: Plan fiduciary net position	<u>(35,996)</u>
City's Net OPEB liability	<u><u>\$ 28,197,232</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified;

Valuation date	June 30, 2017
Actuarial cost method	Individual Entry Age Normal
Investment rate of return	6.80%, net of OPEB plan investment expenses
Inflation	2.75% per year
Salary increases	3.00% per year
Healthcare cost trend rates	Ultimate trend rate: 5.00% annually
Mortality rates	
Pre-retirement:	RP-2000 Employees Mortality Table projected generational with Scale BB and a base year 2009 for males and females
Post-retirement:	RP-2000 Healthy Annuitant Mortality Table projected generational with Scale BB and a base year 2009 for males and females
Disabled:	RP-2000 Healthy Annuitant Mortality Table projected generational with Scale BB and a base year 2012 for males and females

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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	20.00%	4.00%
Domestic Equity - Small/Mid Capital	10.00%	6.00%
International Equity - Developed Market	10.00%	4.50%
International Equity - Emerging Market	5.00%	7.00%
Domestic Fixed Income	25.00%	2.00%
International Fixed Income	10.00%	3.00%
Alternatives	20.00%	6.50%
Real Estate	0.00%	6.25%
Total	100.00%	
I. Real Rate of Return		4.30%
II. Add: Inflation Assumption		2.75%
III. Total Nominal Return (I. + II.)		7.05%
IV. Less: Investment Expense		-0.25%
V. Net investment Return (III.-IV.)		6.80%

Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return (which expresses investment performance), net of investment expense was 5.77%.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.50%. 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 Massachusetts General Law Chapter 32. Based on those assumptions, the OPEB plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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 (2.50%) or 1-percentage-point higher (4.50%) than the current rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Town's net OPEB liability	\$ 33,432,304	\$ 28,197,232	\$ 24,083,938

TOWN OF LEICESTER, MASSACHUSETTS
Notes to the Financial Statements
Year Ended June 30, 2017

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 (4.00%) or 1-percentage-point higher (6.00%) than the current healthcare cost trend rates:

	1% Decrease (4.00%)	Healthcare Cost Trend Rates (5.00%)	1% Increase (6.00%)
Town's net OPEB liability	\$ 19,460,292	\$ 28,197,232	\$ 39,568,278

F. Implementation Of New GASB Pronouncements

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

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

The GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement #14*, for implementation in fiscal year 2017.

The GASB issued Statement No. 82, *Pension Issues – an amendment of GASB No. 67, No. 68, and No. 73*, for implementation in fiscal year 2017.

G. 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. 75, *Accounting and Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, for implementation in fiscal year 2018.

The GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, for implementation in fiscal year 2018.

The GASB issued Statement No. 87, *Leases*, for implementation in fiscal year 2021.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF LEICESTER, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Worcester Regional Contributory Retirement System
For the Year Ended June 30, 2017

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

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

	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Town's proportion of the net pension liability (asset)	2.1086%	2.1033%	2.4786%
Town's proportionate share of the net pension liability (asset)	\$ 17,661,849	\$ 14,929,159	\$ 14,749,413
Town's covered employee payroll	\$ 5,580,380	\$ 5,236,988	\$ 5,035,565
Net pension liability percentage of covered-employee payroll	316.50%	285.07%	292.90%
Plan fiduciary net position as a percentage of the total pension liability	42.00%	44.52%	47.94%

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

TOWN OF LEICESTER, MASSACHUSETTS
Required Supplementary Information
Pension Plan Schedules
Worcester Regional Retirement System
For the Year Ended June 30, 2017

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

Schedule of the Town's Contributions:

	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>12/31/2014</u>
Actuarially determined contribution	\$ 1,024,269	\$ 946,178	\$ 979,523
Less: Contributions in relation to the actuarially determined contribution	<u>(1,024,269)</u>	<u>(946,178)</u>	<u>(979,523)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered employee payroll	\$ 5,580,380	\$ 5,236,988	\$ 5,035,565
Contributions percentage of covered-employee payroll	18.35%	18.07%	19.45%

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

TOWN OF LEICESTER, MASSACHUSETTS
Required Supplementary Information
Other Post-Employment Benefit Plan (GASB 45) Schedule
Year Ended June 30, 2017

Schedule of Funding Progress

Other Post Employment Benefits						
Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
7/1/2015	\$ -	\$ 23,822,000	\$ 23,822,000	0.0%	\$ 14,384,000	165.6%
7/1/2013	\$ -	\$ 21,462,181	\$ 21,462,181	0.0%	\$ 14,866,000	144.4%
7/1/2011	\$ -	\$ 23,145,297	\$ 23,145,297	0.0%	\$ 15,247,000	151.8%

Schedule of Contribution Funding

Other Post Employment Benefits			
Fiscal Year Ended June 30	Annual OPEB Cost	Actual Contributions Made	Percentage Contributed
2017	\$ 2,148,221	\$ 794,727	37.0%
2016	\$ 2,035,194	\$ 813,311	40.0%
2015	\$ 1,761,824	\$ 759,787	43.1%

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

Actuarial Methods:

Valuation date	January 1, 2015
Actuarial cost method	Projected Unit Credit Actuarial Cost method
Amortization method	Closed 24 years amortization of initial 30 year amortization

Actuarial Assumptions:

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

Plan Membership:

Current active members	291
Current retirees, beneficiaries and dependents	227
Total	518

TOWN OF LEICESTER, MASSACHUSETTS
Required Supplementary Information
Other Post Employment Benefit Plan (GASB 74) Schedules
For the Year Ended June 30, 2017

Schedule of Changes in the Net OPEB Liability:

	<u>6/30/2017</u>
Total OPEB liability	
Service cost	\$ 1,112,103
Interest on total OPEB liability	1,088,426
Difference between actual and expected experience	(3,552,281)
Benefit payments, including refunds of member contributions	<u>(794,727)</u>
Net change in total OPEB liability	(2,146,479)
Total OPEB liability-beginning	<u>30,379,707</u>
Total OPEB liability-ending (a)	<u>\$ 28,233,228</u>
 Plan fiduciary net position	
Net investment income	\$ 996
Employer contributions to Trust	829,727
Benefit payments, including refunds of member contributions	<u>(794,727)</u>
Net change in plan fiduciary net position	35,996
Total fiduciary net position-beginning	<u>-</u>
Total fiduciary net position-ending (b)	<u>\$ 35,996</u>
 Town's net OPEB liability (a-b)	 <u><u>\$ 28,197,232</u></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 (GASB 74) Schedules
For the Year Ended June 30, 2017

Schedule of Net OPEB Liability:

	<u>6/30/2017</u>
Total OPEB liability	\$ 28,233,228
Less: Plan fiduciary net position	(35,996)
Town's Net OPEB liability	<u><u>\$ 28,197,232</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%
Town's share of covered employee payroll	\$ 15,209,838
Participating employer net OPEB liability (asset) as a percentage of covered-employee payroll	185.39%

Schedule of Contributions:

	<u>6/30/2017</u>
Actuarially determined contribution	\$ 2,708,031
Less: Contributions in relation to the actuarially determined contribution	(829,727)
Contribution deficiency (excess)	<u><u>\$ 1,878,304</u></u>
Town's share of covered employee payroll	\$ 15,209,838
Contributions percentage of covered-employee payroll	5.46%
Annual money-weighted rate of return net of investment expense	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.

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, 2017

	Fund Balances July 1, 2016	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2017
Special Revenue:					
<i>Federal and State Grants:</i>					
School Grants	\$ 19,216	\$ 789,020	\$ 738,625	\$ -	\$ 69,611
Board of Health Grants	12,660	4,000	-	(16,660)	-
Community Development Block Grants	-	59,210	59,210	-	-
Council on Aging Grants	5,000	27,460	26,810	-	5,650
Highway Grants	-	403,964	403,964	-	-
Library Grants	48,408	16,025	6,849	-	57,584
Other Grants and Programs	8,004	73,377	72,528	(5,000)	3,853
Public Safety Grants	13,939	27,527	23,754	-	17,712
Schools:					
School Lunch Program	64,173	615,532	549,982	-	129,723
School Lunch Commodities	-	57,767	57,767	-	-
Revolving Accounts	427,373	461,726	356,692	-	532,407
School Choice	632,888	551,173	420,503	-	763,558
School Special Education Reserve	-	-	-	173,404	173,404
State Special Education Reimbursement Fund	607,427	536,465	593,696	-	550,196
Other:					
Ambulance Reserve	357,520	373,908	-	(368,195)	363,233
Conservation Commission Fees	25,920	3,276	1,021	(3,521)	24,654
Revolving Funds	161,680	138,892	116,131	-	184,441
Gifts and Donations	139,077	47,801	37,046	-	149,832
Insurance Reimbursements	-	4,971	2,648	-	2,323
Leicester Cable Funds	201,017	112,606	58,801	-	254,822
Outside Detail Revolving	-	239,956	239,491	-	465
RDTF Seizures Released	40,134	62,035	51,743	-	50,426
Sale of Cemetery Lots	9,260	-	-	-	9,260
Septic Repair Programs	174,723	3,852	-	(19,944)	158,631
Town Dog Fund	30,000	-	-	(30,000)	-
Waterway Improvement Fund	7,830	-	-	-	7,830
Arts Council Fund	12,149	10,818	14,134	-	8,833
Capital Expenditures Fund	3,446	6	-	-	3,452
Health Insurance Fund	7,303	13	462	-	6,854
Open Space Fund	1,257	2	-	-	1,259
Post War Rehabilitation Fund	1,429	2	-	-	1,431
Total Special Revenue	\$ 3,011,833	\$ 4,621,384	\$ 3,831,857	\$ (269,916)	\$ 3,531,444

TOWN OF LIECESTER, MASSACHUSETTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	Fund Balances		Other Financing		Fund Balances
	July 1, 2016	Revenues	Expenditures	Sources (Uses)	June 30, 2017
Capital Projects:					
Leicester High School Roof	\$ 776,318	\$ 819,279	\$ 1,644,409	\$ 24,500	\$ (24,312)
Library Construction	796,327	1,695,181	622,133	-	1,869,375
New Fire Truck	-	-	425,000	425,000	-
Town Hall 3rd Floor renovations	-	-	4,798	-	(4,798)
Town Hall Renovations	36,957	-	-	-	36,957
Town/School Energy Upgrades	32,766	-	32,766	-	-
Total Capital Projects	1,642,368	2,514,460	2,729,106	449,500	1,877,222
Perpetual Permanent Funds:					
Cherry Valley Cemetery Perpetual Care	18,819	-	-	-	18,819
Dorothy Warren Fund	17,028	-	-	-	17,028
Total Perpetual Permanent Funds	35,847	-	-	-	35,847
Permanent Funds:					
Cherry Valley Cemetery Perpetual Care	4,021	36	1,909	-	2,148
Dorothy Warren Fund	179	28	-	-	207
Newhall Fund	19,111	31	-	-	19,142
I. H. Thomas Fund	1,510	3	-	-	1,513
Southgate Fund	30,500	50	-	-	30,550
In Custody of Library Trustees:					
Library Funds	125,776	7,105	2,581	-	130,300
Total Permanent Funds	181,097	7,253	4,490	-	183,860
Total Non-Major Governmental Funds	\$ 4,871,145	\$ 7,143,097	\$ 6,565,453	\$ 179,584	\$ 5,628,373

TOWN OF LEICESTER, MASSACHUSETTS
SCHEDULE OF REAL ESTATE, PERSONAL PROPERTY AND ROLLBACK TAXES
JULY 1, 2016 TO JUNE 30, 2017

	Uncollected Taxes July 1, 2016	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2017	Uncollected Taxes Per Detail June 30, 2017
Real Estate Taxes:						
Levy of 2017	\$ -	\$ 13,692,212	\$ 120,939	\$ 13,255,484	\$ 315,789	\$ 315,789
Levy of 2016	321,331	-	23,445	136,309	161,577	161,511
Levy of 2015	72,729	-	-	17,182	55,547	55,840
Levy of 2014	5,760	-	-	-	5,760	7,347
Levy of 2013	6,058	-	-	-	6,058	6,058
Prior Years	16,044	-	-	-	16,044	13,014
	<u>421,922</u>	<u>13,692,212</u>	<u>144,384</u>	<u>13,408,975</u>	<u>560,775</u>	<u>559,559</u>
Personal Property Taxes:						
Levy of 2017	-	463,182	-	458,616	4,566	4,561
Levy of 2016	3,795	-	1,855	1,067	873	920
Levy of 2015	1,520	-	-	35	1,485	1,485
Levy of 2014	1,542	-	-	37	1,505	1,505
Levy of 2013	1,129	-	-	-	1,129	1,129
Prior Years	3,453	-	10,497	(10,497)	3,453	3,453
	<u>11,439</u>	<u>463,182</u>	<u>12,352</u>	<u>449,258</u>	<u>13,011</u>	<u>13,053</u>
Rollback Taxes	<u>-</u>	<u>222</u>	<u>-</u>	<u>222</u>	<u>-</u>	<u>-</u>
Total Real Estate, Personal Property and Rollback Taxes	<u>\$ 433,361</u>	<u>\$ 14,155,616</u>	<u>\$ 156,736</u>	<u>\$ 13,858,455</u>	<u>\$ 573,786</u>	<u>\$ 572,612</u>

**TOWN OF LEICESTER, MASSACHUSETTS
SCHEDULE OF MOTOR VEHICLE AND BOAT EXCISE TAXES
JULY 1, 2016 TO JUNE 30, 2017**

	Uncollected Taxes July 1, 2016	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2017	Uncollected Taxes Per Detail June 30, 2017
Motor Vehicle Excise Taxes:						
Levy of 2017	\$ -	\$ 1,306,924	\$ 23,500	\$ 1,135,695	\$ 147,729	\$ 147,620
Levy of 2016	138,990	145,461	15,858	236,241	32,352	32,422
Levy of 2015	30,551	79	830	16,002	13,798	13,728
Levy of 2014	12,223	-	-	4,509	7,714	7,713
Levy of 2013	9,128	-	-	2,592	6,536	6,536
Prior Years	62,171	-	-	2,230	59,941	59,941
	<u>253,063</u>	<u>1,452,464</u>	<u>40,188</u>	<u>1,397,269</u>	<u>268,070</u>	<u>267,960</u>
Boat Excise Taxes:						
Levy of 2017	-	2,609	45	1,591	973	973
Levy of 2016	797	-	25	417	355	355
Levy of 2015	292	-	-	-	292	292
Levy of 2014	414	-	-	-	414	414
Levy of 2013	266	-	-	-	266	266
Prior Years	929	-	-	30	899	899
	<u>2,698</u>	<u>2,609</u>	<u>70</u>	<u>2,038</u>	<u>3,199</u>	<u>3,199</u>
Total Motor Vehicle and Boat Excise Taxes	<u>\$ 255,761</u>	<u>\$ 1,455,073</u>	<u>\$ 40,258</u>	<u>\$ 1,399,307</u>	<u>\$ 271,269</u>	<u>\$ 271,159</u>

**TOWN OF LEICESTER, MASSACHUSETTS
SCHEDULE OF TAX LIENS AND TAX FORECLOSURES
JULY 1, 2016 TO JUNE 30, 2017**

	Uncollected Accounts July 1, 2016	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2017	Uncollected Accounts Per Detail June 30, 2017
Tax Liens	<u>\$ 276,269</u>	<u>\$ 9,867</u>	<u>\$ 13,571</u>	<u>\$ 66,143</u>	<u>\$ 206,422</u>	<u>\$ 201,912</u>
Tax Foreclosures	<u>\$ 108,497</u>	<u>\$ 13,571</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,068</u>	<u>\$ 122,068</u>