

CITY OF LEOMINSTER, MASSACHUSETTS

Annual Financial Statements

For the Year Ended June 30, 2016

City of Leominster, Massachusetts

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Leominster, Massachusetts

Additional Offices:

Nashua, NH
Manchester, NH
Greenfield, MA
Ellsworth, ME

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the City of Leominster, Massachusetts, as of and for the year ended June 30, 2016 (except for the Leominster Contributory Retirement System which is as of and for the year ended December 31, 2015), and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The City's 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.

Auditors' 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 auditors' 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, the major fund, and the aggregate remaining fund information of the City of Leominster, Massachusetts, as of June 30, 2016 (except for the Leominster Contributory Retirement System which is as of and for the year ended December 31, 2015), and the respective changes in financial position and, where applicable, cash flows thereof 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 Management's Discussion and Analysis, the Schedule of OPEB Funding Progress, the Schedule of Proportionate Share of Net Pension Liability, the Schedule of Pension Contributions, the Schedule of Changes in Net Pension Liability, and the Schedules of Net Pension Liability, Contributions, and Investment Returns 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 evidence sufficient 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 City's basic financial statements. The Statement

of Revenues and Other Sources, and Expenditures, and Other Uses - Budget and Actual - Annually Budgeted Special Revenue Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 November 8, 2017, on our consideration of the City's 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 City's internal control over financial reporting and compliance.

Melanson Heath

November 8, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Leominster, we offer readers this narrative overview and analysis of the financial activities of the City of Leominster for the fiscal year ended June 30, 2016. Unless otherwise noted, all amounts are expressed in thousands.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to 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 our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets, liabilities, and deferred outflows/inflows of resources with the difference 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).

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 three categories: governmental funds, proprietary 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 financial statements focus on near-term inflows and outflows 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 financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for

governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. 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.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Proprietary funds are maintained as follows:

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. Specifically, internal services funds are used to account for self-insured employee health programs and workers compensation activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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 City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to 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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$158,743,187 (i.e., net position), a change of \$(1,531,246) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$45,727,739, a change of \$10,125,144 in comparison to the prior year.

- At the end of the current fiscal year, unassigned fund balance for the general fund was \$28,325,411 (including the City's general Stabilization fund of \$14,005,851), a change of \$2,622,379 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current fiscal year was \$55,079,704, a change of \$8,211,606 in comparison to the prior year.
- The City of Leominster has adopted a funding schedule to amortize the Contributory Retirement System's unfunded liability by 2021, well ahead of the Commonwealth of Massachusetts full funding requirement.
- The City of Leominster has accumulated \$14,111,691 in the Other Post-employment Benefits Trust fund. Contributions of \$2,500,000 from the general fund and \$400,000 from the Water and Sewer Funds were made in addition to the "pay as you go" benefit cost incurred.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years (in thousands).

NET POSITION

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 66,720	\$ 66,733
Deferred outflows	6,150	-
Capital assets	<u>261,184</u>	<u>258,080</u>
Total assets and deferred outflows	334,054	324,813
Long-term liabilities outstanding	159,446	139,666
Deferred inflows	243	1,016
Other liabilities	<u>15,622</u>	<u>24,873</u>
Total liabilities and deferred inflows	175,311	165,555
Net position:		
Net investment in capital assets	206,709	204,860
Restricted	11,548	12,750
Unrestricted	<u>(59,514)</u>	<u>(57,336)</u>
Total net position	<u>\$ 158,743</u>	<u>\$ 160,274</u>

CHANGES IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues:		
Charges for services	\$ 20,505	\$ 20,438
Operating grants and contributions	66,293	63,825
Capital grants and contributions	1,706	1,831
General revenues:		
Property taxes	62,753	59,086
Excises	5,649	4,697
Penalties and interest on taxes	348	299
Grants and contributions not restricted to specific programs	6,994	5,516
Investment income	323	264
Miscellaneous	<u>2,733</u>	<u>3,201</u>
Total revenues	167,304	159,157
Expenses:		
General government	5,534	4,434
Public safety	16,975	16,690
Education	96,795	89,643
Public works	16,943	16,436
Health and human services	1,162	1,252
Culture and recreation	3,113	2,831
Employee benefits	23,222	18,134
Interest on long-term debt	1,563	2,049
Intergovernmental	3,528	3,651
Miscellaneous	<u>-</u>	<u>204</u>
Total expenses	<u>168,835</u>	<u>155,324</u>
Change in net position	(1,531)	3,833
Net position - beginning of year	<u>160,274</u>	<u>156,441</u>
Net position - end of year	<u>\$ 158,743</u>	<u>\$ 160,274</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$158,743,187, a change of \$(1,531,246) from the prior year.

The largest portion of net position, \$206,709,229 reflects our investment in capital assets (e.g., infrastructure, land, buildings, machinery and equipment), less any

related debt used to acquire those assets that are still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$11,547,855, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$(59,513,897), resulting from unfunded pension and OPEB liabilities.

Governmental activities. Governmental activities for the year resulted in an increase in net position of \$(1,531,246). Key elements of this change are as follows:

General fund operating results	\$ 3,571,310
Nonmajor funds - accrual basis	5,020,222
Internal service fund operating results	(1,157,334)
Depreciation expense in excess of principal debt service	(3,573,989)
Change in other post employment benefits liability	(9,238,769)
Change in net pension liability	(3,446,124)
Other GAAP accruals	<u>7,293,438</u>
Total	<u>\$ (1,531,246)</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used 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, 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 \$45,727,739, a change of \$10,125,144 in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ 3,571,310
Nonmajor fund operating results	<u>6,553,834</u>
Total	<u>\$ 10,125,144</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$28,325,411, while total fund balance was \$34,475,622. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Restricted fund balance	\$ 1,869	\$ 1,869	\$ -	0.0%
Assigned fund balance	6,148,342	5,199,411	948,931	18.3%
Unassigned fund balance				
General fund	14,319,560	12,089,487	2,230,073	18.4%
General operating stabilization	<u>14,005,851</u>	<u>13,613,545</u>	<u>392,306</u>	<u>2.9%</u>
	<u>28,325,411</u>	<u>25,703,032</u>	<u>2,622,379</u>	<u>21.3%</u>
Total fund balance	\$ <u>34,475,622</u>	\$ <u>30,904,312</u>	\$ <u>3,571,310</u>	<u>39.6%</u>

The total fund balance of the general fund changed by \$3,571,310 during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 7,238,080
Expenditures less than budget	905,845
Use of free cash as a funding source	(7,498,755)
Shortfall of tax collection	1,465,090
Expenditures current year encumbrances in excess of prior year	949,176
Change in stabilization	392,306
Other	<u>119,568</u>
Total	\$ <u>3,571,310</u>

E. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year-end amounted to \$261,184,177 (net of accumulated depreciation), an increase of \$3,104,005 from the prior year. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure.

Major capital assets events during the current fiscal year included the following:

Capitalization of Notown Coagulation	\$ 13,419,874
Departmental purchases of vehicles and equipment	\$ 1,556,413

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$55,079,704 all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in the Notes to Financial Statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Leominster'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:

Mr. John J. Richard
City Comptroller
City of Leominster
25 West Street
Leominster, MA 01453

CITY OF LEOMINSTER, MASSACHUSETTS

STATEMENT OF NET POSITION

JUNE 30, 2016

	Governmental <u>Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 52,359,898
Investments	5,345,233
Receivables, net of allowance for uncollectibles:	
Property taxes	621,890
Excises	1,491,357
User fees	1,811,722
Departmental and other	2,770,064
Noncurrent:	
Receivables:	
Tax title	1,112,019
Intergovernmental	1,206,277
Other assets	1,267
Land and construction in progress	105,693,820
Capital assets, net of accumulated depreciation	155,490,357
DEFERRED OUTFLOWS OF RESOURCES	<u>6,150,479</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	334,054,383
LIABILITIES	
Current:	
Warrants payable	2,423,450
Accrued liabilities	6,192,363
Notes payable	1,000,000
Other current liabilities	130,796
Current portion of long-term liabilities:	
Bonds payable	5,411,171
Landfill closure	94,150
Compensated absences	370,967
Noncurrent:	
Bonds payable, net of current portion	49,668,533
Landfill closure, net of current portion	1,358,100
Compensated absences, net of current portion	3,338,699
Net OPEB obligation	70,599,918
Net pension liability	34,479,776
DEFERRED INFLOWS OF RESOURCES	<u>243,273</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	175,311,196
NET POSITION	
Net investment in capital assets	206,709,229
Restricted for:	
Grants and other statutory restrictions	8,156,685
Permanent funds:	
Nonexpendable	917,992
Expendable	2,473,178
Unrestricted	<u>(59,513,897)</u>
TOTAL NET POSITION	<u>\$ 158,743,187</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2016

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and short-term investments	\$ 35,106,545	\$ 7,851,674	\$ 42,958,219
Investments	2,151,067	3,194,166	5,345,233
Receivables:			
Property taxes	2,993,241	-	2,993,241
Excises	1,604,155	-	1,604,155
User fees	-	2,002,672	2,002,672
Departmental and other	3,782,279	-	3,782,279
Loans	-	3,238,201	3,238,201
Other	-	1,267	1,267
Intergovernmental	-	1,206,277	1,206,277
TOTAL ASSETS	\$ <u>45,637,287</u>	\$ <u>17,494,257</u>	\$ <u>63,131,544</u>
LIABILITIES			
Warrants payable	\$ 2,423,450	\$ -	\$ 2,423,450
Accrued payroll and withholdings	517,414	-	517,414
Notes payable	-	1,000,000	1,000,000
Other liabilities	130,796	-	130,796
TOTAL LIABILITIES	3,071,660	1,000,000	4,071,660
DEFERRED INFLOWS OF RESOURCES	8,090,005	5,242,140	13,332,145
FUND BALANCES			
Nonspendable	-	917,992	917,992
Restricted	1,869	12,031,992	12,033,861
Assigned	6,148,342	-	6,148,342
Unassigned	28,325,411	(1,697,867)	26,627,544
TOTAL FUND BALANCES	<u>34,475,622</u>	<u>11,252,117</u>	<u>45,727,739</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ <u>45,637,287</u>	\$ <u>17,494,257</u>	\$ <u>63,131,544</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2016

Total governmental fund balances	\$ 45,727,739
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	261,184,177
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	7,518,649
• Internal service funds are used by management to account for health insurance and workers' compensation activities. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	4,083,307
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(356,577)
• Long-term liabilities, including bonds payable, capital leases, landfill closure, accrued compensated absences, and net OPEB obligation are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(130,841,538)
• Net pension liability and deferred inflows, which are not reported in the governmental funds.	<u>(28,572,570)</u>
Net position of governmental activities	\$ <u>158,743,187</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2016

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Property taxes	\$ 62,807,457	\$ -	\$ 62,807,457
Excises	4,938,804	-	4,938,804
Penalties, interest and other taxes	348,128	-	348,128
Charges for services	2,458,311	16,108,475	18,566,786
Intergovernmental	49,912,844	14,782,765	64,695,609
Licenses and permits	1,187,334	-	1,187,334
Fines and forfeitures	246,908	-	246,908
Investment income	244,785	77,813	322,598
Miscellaneous	1,675,199	1,556,679	3,231,878
	<u>123,819,770</u>	<u>32,525,732</u>	<u>156,345,502</u>
Total Revenues			
Expenditures:			
Current:			
General government	3,836,258	1,741,444	5,577,702
Public safety	17,482,443	767,181	18,249,624
Education	67,777,209	16,001,512	83,778,721
Public works	7,010,608	15,083,892	22,094,500
Health and human services	1,055,751	142,854	1,198,605
Culture and recreation	2,410,809	477,272	2,888,081
Employee benefits	15,959,668	-	15,959,668
Debt service	2,749,808	2,977,787	5,727,595
Intergovernmental	3,528,098	-	3,528,098
	<u>121,810,652</u>	<u>37,191,942</u>	<u>159,002,594</u>
Total Expenditures			
Excess (deficiency) of revenues over expenditures	2,009,118	(4,666,210)	(2,657,092)
Other Financing Sources (Uses):			
Proceeds of bonds	-	12,498,000	12,498,000
Transfers in	3,973,764	2,075,234	6,048,998
Transfers out	(2,411,572)	(3,353,190)	(5,764,762)
	<u>1,562,192</u>	<u>11,220,044</u>	<u>12,782,236</u>
Total Other Financing Sources (Uses)			
Change in fund balance	3,571,310	6,553,834	10,125,144
Fund Equity, at Beginning of Year, as restated	<u>30,904,312</u>	<u>4,698,283</u>	<u>35,602,595</u>
Fund Equity, at End of Year	<u>\$ 34,475,622</u>	<u>\$ 11,252,117</u>	<u>\$ 45,727,739</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

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

FOR THE YEAR ENDED JUNE 30, 2016

Net changes in fund balances - Total governmental funds	\$ 10,125,144														
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay purchases, net of disposals and conversions</td> <td style="text-align: right;">10,964,388</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(7,860,383)</td> </tr> </table> • Revenues 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 deferred revenue. 532,077 • The issuance of long-term debt (e.g., bonds payable) 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: <table border="0" style="margin-left: 40px;"> <tr> <td>Issuance of bonds</td> <td style="text-align: right;">(12,498,000)</td> </tr> <tr> <td>Repayments of debt principal</td> <td style="text-align: right;">4,286,394</td> </tr> </table> • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. (122,022) • Some expenses reported in the Statement of Activities, such as other post-employment benefits, compensated absences and landfill closure, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table border="0" style="margin-left: 40px;"> <tr> <td>Increase in net OPEB obligation</td> <td style="text-align: right;">(9,238,769)</td> </tr> <tr> <td>Increase in compensated absences liability</td> <td style="text-align: right;">(113,649)</td> </tr> <tr> <td>Decrease in landfill liability</td> <td style="text-align: right;">74,150</td> </tr> </table> • Internal service funds are used by management to account for health insurance and workers' compensation activities. The net activity of internal service funds is reported with Governmental Activities. (1,157,334) • Certain changes in the net pension liability, which are deferred to future reporting periods, are not reported in the governmental funds. <u>3,476,758</u> 		Capital outlay purchases, net of disposals and conversions	10,964,388	Depreciation	(7,860,383)	Issuance of bonds	(12,498,000)	Repayments of debt principal	4,286,394	Increase in net OPEB obligation	(9,238,769)	Increase in compensated absences liability	(113,649)	Decrease in landfill liability	74,150
Capital outlay purchases, net of disposals and conversions	10,964,388														
Depreciation	(7,860,383)														
Issuance of bonds	(12,498,000)														
Repayments of debt principal	4,286,394														
Increase in net OPEB obligation	(9,238,769)														
Increase in compensated absences liability	(113,649)														
Decrease in landfill liability	74,150														
Change in net position of governmental activities	\$ <u>(1,531,246)</u>														

The accompanying notes are an integral part of these financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES
AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Transfers In:				
Taxes	\$ 61,342,367	\$ 61,342,367	\$ 61,342,367	\$ -
Excise	2,750,000	2,750,000	4,938,804	2,188,804
Penalties, interest and other taxes	348,000	348,000	348,128	128
Charges for services	1,946,000	1,946,000	2,348,075	402,075
Intergovernmental	49,660,634	49,660,634	49,912,844	252,210
Licenses and permits	490,000	490,000	1,187,334	697,334
Fines and forfeits	110,000	110,000	246,908	136,908
Investment income	50,000	50,000	202,480	152,480
Miscellaneous	298,000	298,000	1,665,867	1,367,867
Transfers in	3,518,514	3,518,514	5,558,788	2,040,274
Free cash	7,498,755	7,498,755	7,498,755	-
Total Revenues and Other Sources	128,012,270	128,012,270	135,250,350	7,238,080
Expenditures and Transfers Out:				
General government	4,323,021	4,323,021	4,129,012	194,009
Public safety	18,450,307	18,450,307	18,220,983	229,324
Education	68,231,477	68,231,477	68,125,364	106,113
Public works	6,550,237	6,550,237	6,485,949	64,288
Health and human services	1,102,913	1,102,913	1,055,132	47,781
Culture and recreation	2,443,267	2,443,267	2,438,100	5,167
Debt service	2,809,113	2,809,113	2,759,858	49,255
Intergovernmental	3,634,909	3,634,909	3,528,098	106,811
Employee benefits	16,162,779	16,162,779	16,017,332	145,447
Transfers out	4,304,247	4,304,247	4,346,597	(42,350)
Total Expenditures and Other Uses	128,012,270	128,012,270	127,106,425	905,845
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 8,143,925	\$ 8,143,925

The accompanying notes are an integral part of these financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

PROPRIETARY FUND

STATEMENT OF NET POSITION

JUNE 30, 2016

	Internal Service <u>Fund</u>
ASSETS	
Current:	
Cash and short-term investments	\$ <u>9,401,679</u>
TOTAL ASSETS	9,401,679
LIABILITIES	
Current:	
Accrued claims payable	<u>5,318,372</u>
TOTAL LIABILITIES	5,318,372
NET POSITION	
Unrestricted	<u>4,083,307</u>
TOTAL NET POSITION	\$ <u><u>4,083,307</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Internal Service Fund</u>
Operating Revenues:	
Employee and employer contributions	\$ <u>20,843,040</u>
Total Operating Revenues	20,843,040
Operating Expenses:	
Employee benefits	<u>21,716,138</u>
Total Operating Expenses	<u>21,716,138</u>
Operating income	(873,098)
Transfers:	
Transfers out	<u>(284,236)</u>
Change in Net Position	(1,157,334)
Net Position at Beginning of Year	<u>5,240,641</u>
Net Position at End of Year	\$ <u><u>4,083,307</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016

	Internal Service Fund
<u>Cash Flows From Operating Activities:</u>	
Receipts from employees and employer	\$ 20,843,040
Payments of employee benefits and expenses	<u>(21,273,488)</u>
Net Cash Provided By Operating Activities	(430,448)
<u>Cash Flows From Noncapital Financing Activities:</u>	
Transfers out	<u>(284,236)</u>
Net Change in Cash and Short-Term Investments	(714,684)
Cash and Short-Term Investments, Beginning of Year	<u>10,116,363</u>
Cash and Short-Term Investments, End of Year	<u><u>\$ 9,401,679</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>	
Operating Income	\$ (873,098)
Changes in assets and liabilities:	
Accrued liabilities	<u>442,650</u>
Net Cash Provided By Operating Activities	<u><u>\$ (430,448)</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2016

	Other Post- Employment Benefits <u>Trust Fund</u>	Pension Trust Fund (For the year ended <u>December 31, 2015</u>)	<u>Agency Funds</u>
<u>ASSETS</u>			
Cash and short-term investments	\$ 14,111,691	\$ 489,224	\$ 1,440,816
Investments	-	157,590,227	-
Accounts receivable	-	62,019	110,237
Other assets	<u>-</u>	<u>-</u>	<u>195,256</u>
Total Assets	14,111,691	158,141,470	1,746,309
<u>LIABILITIES AND NET POSITION</u>			
Accounts payable	-	5,873	-
Guarantee deposits	-	-	501,428
Other liabilities	<u>-</u>	<u>-</u>	<u>1,244,881</u>
Total Liabilities	<u>-</u>	<u>5,873</u>	<u>1,746,309</u>
<u>NET POSITION</u>			
Total net position held in trust for OPEB and pension benefits	<u>\$ 14,111,691</u>	<u>\$ 158,135,597</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LEOMINSTER, MASSACHUSETTS

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016

	Other Post- Employment Benefits <u>Trust Fund</u>	Pension Trust Fund (For the year ended <u>December 31, 2015</u>)
Additions:		
Contributions:		
Employers	\$ -	\$ 8,787,188
Other systems and Commonwealth of Massachusetts	-	289,144
Plan members	-	2,723,435
Contributions	2,900,000	-
Other	<u>-</u>	<u>90,300</u>
Total contributions	2,900,000	11,890,067
Investment Income:		
Change in fair value of investments	363,304	729,127
Management fees	<u>(66,330)</u>	<u>(944,313)</u>
Net investment income	<u>296,974</u>	<u>(215,186)</u>
Total additions	3,196,974	11,674,881
Deductions:		
Benefit payments to plan members and beneficiaries	-	8,810,489
Refunds to plan members	-	181,887
Reimbursements to other systems	-	184,745
Administrative expenses	<u>-</u>	<u>170,267</u>
Total deductions	<u>-</u>	<u>9,347,388</u>
Net increase	3,196,974	2,327,493
Net position:		
Beginning of year	<u>10,914,717</u>	<u>155,808,104</u>
End of year	<u>\$ 14,111,691</u>	<u>\$ 158,135,597</u>

The accompanying notes are an integral part of these financial statements.

City of Leominster, Massachusetts

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the City of Leominster (the City) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The Government is a municipal corporation governed by an elected City Council. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable.

Blended Component Units – Blended component units are entities that are legally separate, but are so related that they are, in substance, the same as the primary government, providing services entirely or almost entirely for the benefit of the primary government. The following component unit is blended within the primary government:

In the Fiduciary Funds, the Leominster Contributory Retirement System which was established to provide retirement benefits primarily to employees and their beneficiaries. The Contributory Retirement System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements. Additional financial information of the Contributory Retirement System can be obtained by contacting the Contributory Retirement System located at Leominster City Hall, 25 West Street, Leominster, MA 01453.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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, proprietary 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.

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 proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and excises.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. 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 enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. 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.

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.

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

The Town reports the following proprietary fund:

- *Internal Service Funds* - To account for goods or services provided by one City department or agency to other City departments or agencies. The City accounts for its self-insured health and workers compensation funds as internal service funds.

The *Other Post-Employment Trust fund* is used to accumulate resources for health and life insurance benefits for retired employees.

The *Pension Trust Fund* accounts for the activities of the Leominster Contributory Retirement System, which accumulates resources for pension benefit payments to qualified employees.

The *Agency Funds* account for fiduciary assets held by the City in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained 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". The interest earnings attributable to each fund type are included under investment income.

For purpose of the Statement of Cash Flows, the proprietary funds consider investments with original maturities of three months or less to be cash equivalents.

E. Investments

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

Investments consist of marketable securities, bonds and short-term money market investments. Investments are carried at market value.

F. Property Tax Limitations

Legislation known as "Proposition 2½" limits the amount of revenue that can be derived from property taxes. The prior fiscal year's tax levy limit is used as a base and cannot increase by more than 2½ percent (excluding new growth), unless an override or debt exemption is voted. The actual fiscal year 2016 tax levy reflected an excess capacity of \$5,244,381.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Government as assets with an initial individual cost of more than \$20,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	25
Vehicles	5 - 10
Office equipment	5
Computer equipment	5

H. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

J. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The City reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The City's fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision-making authority in the government (i.e., the City Council).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance (free cash) voted to be used in the subsequent fiscal year.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the City uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

K. *Use of Estimates*

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

2. Stewardship, Compliance and Accountability

A. *Budgetary Information*

The Mayor presents an operating and capital budget for the proposed expenditures of the fiscal year commencing the following July 1. The budget, as enacted by the City Council, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the fiscal year at City Council meetings as required by changing conditions. In cases of extraordinary or unforeseen expenses, the City Council is empowered to transfer funds from the Reserve Fund (a contingency appropriation) to a departmental appropriation. "Extraordinary" includes expenses which are not in the usual line, or are great or exceptional. "Unforeseen" includes expenses which are not foreseen as of the time of the annual meeting when appropriations are voted.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public. These items are limited by the Massachusetts General Laws and must be raised in the next year's tax rate.

Formal budgetary integration is employed as a management control device during the year for the General Fund. Effective budgetary control is achieved for all other funds through provisions of the Massachusetts General Laws.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

B. Budgetary Basis

The General Fund final appropriation appearing on the “Budget and Actual” page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the general and certain special revenue funds is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general, water and sewer funds are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 123,819,770	\$ 121,810,652
Other financing sources/uses (GAAP Basis)	<u>3,973,764</u>	<u>2,411,572</u>
Subtotal (GAAP Basis)	127,793,534	124,222,224
Adjust tax revenue to accrual basis	(1,465,090)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(5,199,167)
Add end-of-year appropriation carryforwards from expenditures	-	6,148,343
To remove the effects of non- budgeted stabilization fund	(392,306)	-
To record use of free cash	7,498,755	-
Other	<u>1,815,457</u>	<u>1,935,025</u>
Budgetary Basis	<u>\$ 135,250,350</u>	<u>\$ 127,106,425</u>

D. Deficit Fund Equity

The following funds had deficits as of June 30, 2016:

Nonmajor Governmental Funds	
Various Capital Project Funds	\$ (786,344)
Highway State Aid	(59,381)
Police E-911 Incentive Grant	(169,159)
Police Cops Hiring Grant	(31,267)
Special Education	(204,423)
Title I	(91,233)
Academic Support	(32,342)
Various other City Special Revenue Funds	(78,413)
Various other School Special Revenue Funds	<u>(245,305)</u>
Total	\$ <u>(1,697,867)</u>

The deficits in these funds will be eliminated through bond anticipation notes, future departmental revenues, bond proceeds, and transfers from other funds.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Massachusetts General Law Chapter 44, Section 55, limits deposits "in a bank or trust company or banking company to an amount not exceeding sixty per cent of the capital and surplus of such bank or trust company or banking company, unless satisfactory security is given to it by such bank or trust company or banking company for such excess." The City and the Contributory Retirement System do not have a deposit policy for custodial credit risk.

As of June 30, 2016, \$29,790,307 of the City's bank balance of \$65,729,768 was exposed to custodial credit risk as uninsured or uncollateralized.

As of December 31, 2015, none of the Contributory Retirement System's bank balance of \$543,333 was exposed to custodial risk as uninsured, uncollateralized, and collateral held by pledging bank's Trust Department not in the Contributory Retirement System's name. The exposed balance was on deposit with the Massachusetts Municipal Depository Trust (MMDT).

4. Investments

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. For short-term investments

that were purchased using surplus revenues, Massachusetts General Law, Chapter 44, Section 55, limits the City's investments to the top rating issued by at least one nationally recognized statistical rating organization (NRSROs).

Presented below is the actual rating as of year-end for each investment of the City (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year-end</u>		
			<u>AAA</u>	<u>Aa</u>	<u>BBB</u>
Certificates of deposits	\$ 2,749	\$ 2,749	\$ -	\$ -	\$ -
Corporate equities	1,502	1,502	-	-	-
Federal agency securities	60	-	60	-	-
Corporate bonds	45	-	45	-	-
Mutual funds	989	989	-	-	-
Total investments	<u>\$ 5,345</u>	<u>\$ 5,240</u>	<u>\$ 105</u>	<u>\$ -</u>	<u>\$ -</u>

Massachusetts General Law, Chapter 32, Section 23, limits the investment of Contributory Retirement System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth, provided that no more than the established percentage of assets is invested in any one security.

Presented below is the actual rating as of year-end of the Contributory Retirement System (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Exempt From Disclosure</u>
Pooled international equity	14,446	14,446
Pooled domestic equities	7,835	7,835
PRIT core fund	93,130	93,130
Total investments	<u>\$ 157,590</u>	<u>\$ 157,590</u>

* Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust was created under Massachusetts General Law, Chapter 32, Section 22, in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Law, Chapter 30B.

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City and the Contributory Retirement System do not have policies for custodial credit risk.

All of the City's investments of \$5,345,233 are exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the City's brokerage firm (which is also the Counterparty to these securities) but are not in the City's name.

All of the Contributory Retirement Systems' investments of \$157,590,227 are exposed to custodial credit risk because the related securities are uninsured, unregistered, and held by the City's brokerage firm (which is also the Counterparty to these securities) but are not in the System's name.

C. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City and the Contributory Retirement System do 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.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is as follows (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>N/A</u>
Certificates of deposits	\$ 2,749	\$ -	\$ 2,749	\$ -
Corporate equities	1,502	-	-	1,502
Federal agency securities	60	-	60	-
Corporate bonds	45	-	45	-
Mutual funds	989	-	-	989
Total	<u>\$ 5,345</u>	<u>\$ -</u>	<u>\$ 2,854</u>	<u>\$ 2,491</u>

Information about the sensitivity of the fair values of the Contributory Retirement System's investments to market interest rate fluctuations is not applicable as all of the System's investments are immediately liquid.

D. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The City and the Contributory Retirement System do not have policies for foreign currency risk.

E. Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

<u>Description</u>	<u>Fair Value Measurements Using:</u>			
	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Investments by fair value level:				
Debt securities				
U.S. Treasury securities	\$ 60,274	\$ 60,274	\$ -	\$ -
Corporate bonds	45,060	45,060	-	-
Certificates of deposit	2,749,232	2,749,232	-	-
Equity securities	1,501,829	1,501,829	-	-
Mutual funds	65,448,606	65,448,606	-	-
Investments measured at the net asset value (NAV):				
External investment pool	<u>93,130,459</u>			
Total	<u>\$ 162,935,460</u>			
<u>Description</u>	<u>Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
External investment pool	\$ 93,130,459	\$ -	Quarterly	30 days

5. Taxes Receivable

Real estate and personal property taxes are levied and based on values assessed on January 1 of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on a quarterly basis and are subject to penalties and interest if they are not paid by

the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year they relate to.

Fourteen days after the due date for the final tax bill for real estate taxes, a demand notice may be sent to the delinquent taxpayer. Fourteen days after the demand notice has been sent, the tax collector may proceed to file a lien against the delinquent taxpayers' property. The City has an ultimate right to foreclose on property for unpaid taxes. Personal property taxes cannot be secured through the lien process.

Taxes receivable at June 30, 2016 consist of the following (in thousands):

Real Estate		
2016	\$ 517	
2015	3	
2014	2	
2013 and Prior	<u>37</u>	559
Personal Property		
2016	42	
2015	27	
2014	29	
2013 and Prior	<u>112</u>	210
Tax Liens		<u>2,224</u>
Total		<u>\$ 2,993</u>

6. Allowance for Doubtful Accounts

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts.

	<u>Governmental</u>
Property taxes	\$ 1,259
Excises	\$ 113
Ambulance	\$ 1,012

7. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and land improvements	\$ 166,408	\$ 489	\$ -	\$ 166,897
Machinery, equipment, and furnishings	20,217	2,768	-	22,985
Infrastructure	<u>52,054</u>	<u>13,976</u>	<u>-</u>	<u>66,030</u>
Total capital assets, being depreciated	238,679	17,233	-	255,912
Less accumulated depreciation for:				
Buildings and land improvements	(57,248)	(3,665)	-	(60,913)
Machinery, equipment, and furnishings	(14,338)	(2,043)	-	(16,381)
Infrastructure	<u>(20,975)</u>	<u>(2,153)</u>	<u>-</u>	<u>(23,128)</u>
Total accumulated depreciation	<u>(92,561)</u>	<u>(7,861)</u>	<u>-</u>	<u>(100,422)</u>
Total capital assets, being depreciated, net	146,118	9,372	-	155,490
Capital assets, not being depreciated:				
Land	76,493	329	-	76,822
Construction in progress	<u>35,469</u>	<u>7,966</u>	<u>(14,563)</u>	<u>28,872</u>
Total capital assets, not being depreciated	<u>111,962</u>	<u>8,295</u>	<u>(14,563)</u>	<u>105,694</u>
Governmental activities capital assets, net	<u>\$ 258,080</u>	<u>\$ 17,667</u>	<u>\$ (14,563)</u>	<u>\$ 261,184</u>

Depreciation expense was charged to functions of the City as follows:

Governmental Activities:	
General government	\$ 313
Public safety	639
Education	3,176
Public works	2,804
Health and human services	230
Culture and recreation	<u>699</u>
Total depreciation expense - governmental activities	<u>\$ 7,861</u>

8. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the City that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets.

The following is a summary of deferred outflow of resources balances as of June 30, 2016:

	Entity-wide Basis Governmental <u>Activities</u>
Pension related:	
Net difference between projected and actual investment earnings	\$ 6,080,365
Changes in proportion and differences between contributions and proportionate share of contributions	<u>70,114</u>
	<u>\$ 6,150,479</u>

9. Warrants and Accounts Payable

Warrants payable represent 2016 expenditures paid by July 15, 2016 as permitted by law.

10. Notes Payable

The City had the following loans and notes outstanding at June 30, 2016 (in thousands):

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	Balance End of Year
School Construction	0.80%	6/29/16	5/30/17	\$ <u>1,000</u>
Total				\$ <u>1,000</u>

The following summarizes activity in loans and notes payable during fiscal year 2016 (in thousands):

	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
Schools Remodel/Repairs/Reconstruction	\$ 2,689	\$ -	\$ (2,689)	\$ -
State Revolving Loan (MWPAT)	8,000	-	(8,000)	-
MCWT CW-10-41A	-	2,500	(2,500)	-
School Construction	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total	<u>\$ 10,689</u>	<u>\$ 3,500</u>	<u>\$ (13,189)</u>	<u>\$ 1,000</u>

11. Long-Term Debt

A. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds currently outstanding are as follows:

<u>Bonds Payable:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/16</u>
Library construction	11/01/17	3.75 - 4.375	\$ 900,000
Library construction	05/01/18	2.25 - 4	890,000
School design	05/01/18	3.75 - 5	130,000
Sewer inflow/infiltration (MWPAT)	08/01/18	1.5	1,140,000
Sewer inflow/infiltration (MWPAT)	08/01/18	1.5	56,000
Sewer inflow/infiltration (MWPAT)	08/01/19	1.5	185,400
Harvard Street sewer (MWPAT)	08/01/19	1.5	585,000
Harvard Street sewer (MWPAT)	08/01/19	1.5	385,259
Water (MWPAT)	08/01/19	1.5	310,000
School remodel & reconstruction	11/01/21	2.0 - 3.0	1,998,000
School remodel & reconstruction	12/15/21	2.0 - 3.0	6,300,000
Water improvements	05/01/25	3.50 - 5	1,665,000
Watershed land purchase	10/24/28	3.75 - 5	290,000
Water system improvement # 2	10/24/28	3.75 - 5	675,000
Water (MWPAT)	07/15/30	2.0	5,548,072
Water (MWPAT)	07/15/30	2.0	6,003,515
Sewer (MWPAT)	07/15/30	0.0	4,575,595
Water (MWPAT)	07/15/32	2.0	1,839,886
Sewer (MWPAT)	07/15/32	2.25-4.0	735,000
Water (MWPAT)	07/15/32	0.0	10,367,977
MCWT CW-10-41	01/15/36	0.0	8,000,000
MCWT CW-10-41A	01/15/36	0.0	2,500,000
Total Bonds Payable:			<u>\$ 55,079,704</u>

B. Future Debt Service

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 5,411,171	\$ 787,831	\$ 6,199,002
2018	5,468,033	654,137	6,122,170
2019	4,568,506	530,565	5,099,071
2020	4,524,608	430,355	4,954,963
2021	3,930,960	354,196	4,285,156
2022 - 2026	14,134,699	1,076,215	15,210,914
2027 - 2031	12,611,772	388,409	13,000,181
2032 - 2035	4,429,955	49,457	4,479,412
Total	<u>\$ 55,079,704</u>	<u>\$ 4,271,165</u>	<u>\$ 59,350,869</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2016, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/15	Additions	Reductions	Total Balance 6/30/16	Less Current Portion	Equals Long-Term Portion 6/30/16
<u>Governmental Activities</u>						
Bonds payable	\$ 46,868	\$ 12,498	\$ (4,286)	\$ 55,080	\$ (5,411)	\$ 49,669
Landfill closure	1,527	-	(75)	1,452	(94)	1,358
Compensated absences	3,596	114	-	3,710	(371)	3,339
Net OPEB obligation	61,361	9,239	-	70,600	-	70,600
Net pension liability	31,034	3,446	-	34,480	-	34,480
Totals	\$ <u>144,386</u>	\$ <u>25,297</u>	\$ <u>(4,361)</u>	\$ <u>165,322</u>	\$ <u>(5,876)</u>	\$ <u>159,446</u>

12. Landfill Closure and Post-Closure Care Costs

State and Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City's landfill has been closed for several years and the City has filed a formal closure and monitoring plan with the Commonwealth. The \$1,452,250 reported as landfill post-closure care liability at June 30, 2016 represents the annual cost of monitoring for the next 15 years. This amount is based on what it would cost to perform all post-closure care in 2016. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The City expects to fund the cost of monitoring through annual departmental appropriations.

13. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net assets by the City that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The following is a summary of deferred inflow of resources balances as of June 30, 2016:

	Entity-wide Basis Governmental Activities	Fund Basis Governmental Funds	
		General Fund	Nonmajor
Unavailable revenues	\$ -	\$ 8,090,005	\$ 5,242,140
Pension related:			
Differences between expected and actual experience	117,068	-	-
Changes in proportion and differences between pension contributions and proportionate share of contributions	126,205	-	-
Total	\$ <u>243,273</u>	\$ <u>8,090,005</u>	\$ <u>5,242,140</u>

14. **Restricted Net Position**

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position.

Permanent fund restricted net position is segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

15. **Governmental Funds - Balances**

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The City implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2016:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Council Meetings, capital reserve funds set aside by Council Meetings vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), and various special revenue funds.

Assigned - Represents amounts that are constrained by the City's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various City departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Following is a breakdown of the City's fund balances at June 30, 2016:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Nonexpendable permanent funds	\$ -	\$ 917,992	\$ 917,992
Total Nonexpendable	-	917,992	917,992
Restricted			
Reserve for petty cash	1,869	-	1,869
Bonded projects	-	1,391,100	1,391,100
Other special revenue funds	-	8,167,203	8,167,203
Expendable permanent funds	-	2,473,689	2,473,689
Total Restricted	1,869	12,031,992	12,033,861
Assigned			
Encumbrances			
General government	1,360,628	-	1,360,628
Public safety	1,785,752	-	1,785,752
Education	1,041,571	-	1,041,571
Public works	1,160,160	-	1,160,160
Health and human services	7,775	-	7,775
Culture and recreation	463,575	-	463,575
Employee benefits	321,889	-	321,889
Debt service	6,992	-	6,992
Total Assigned	6,148,342	-	6,148,342
Unassigned			
General operating stabilization	14,005,851	-	14,005,851
Unassigned	14,319,560	(1,697,867)	12,621,693
Total Unassigned	28,325,411	(1,697,867)	26,627,544
Total Fund Balance	\$ 34,475,622	\$ 11,252,117	\$ 45,727,739

16. Commitments and Contingencies

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Abatements - There are several cases pending before the Appellate Tax Board in regard to alleged discrepancies in property assessments. According to the City's counsel, the probable outcome of these cases at the present time is indeterminable, although the City expects such amounts, if any, to be immaterial.

Sewer Infiltration/Inflow Project - The City of Leominster is still operating under the June 2002 Administrative Consent Order. An inflow and Infiltration evaluation

has begun that will be finished in December 2018. The Leominster DPW has continued to address collection system issues on an annual basis. The Infiltration/ Inflow program initiated a monitoring program in the spring of 2017 to determine the areas the City should prioritize for rehabilitation. This will be a two-year process to identify and repair the sub-systems that contribute the most improper flow. Extensive work on the collection system continues on a yearly basis and the Crawford Street connection will begin as soon as the MBTA provides its approval and easement. This should be completed in the summer of 2018.

Wastewater Treatment Facility Upgrades - The City of Leominster Wastewater Facility is in compliance with its most recent NPDES permit. The wastewater facility has two upgrades remaining to be fully upgraded. The aeration system and the clarification system will be upgraded in 2019 – 2020. This will complete the upgrades to the entire facility. The City plans to use new SRF loans to fund these upgrades. The new loan debt service will be offset by maturing debt to minimize new debt requirements. All pump station facilities were upgraded with new pumps and generators as of the spring of 2017 with the completion of the Day Street Pump Station.

17. Post-Employment Healthcare and Life Insurance Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (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 their post-employment benefits, rather than when they use their post-employment benefit. 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 over time.

A. Plan Description

In addition to providing the pension benefits described in the following note, the City provides post-employment healthcare and life insurance benefits for retired employees through the City's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by Chapter 32 of the Massachusetts General Laws. As of January 1, 2015, the actuarial valuation date, approximately 948 retirees and 1135 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The City provides medical, prescription drug, mental health/substance abuse and life insurance to retirees and their covered dependents. All active employees who retire from the City and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute a portion of the cost of the health plan, as determined by the City. The City contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The City's annual fiscal year OPEB 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 the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the City's annual OPEB cost for the year ending June 30, 2016, the amount actually contributed to the plan, and the change in the City's net OPEB obligation based on an actuarial valuation as of January 1, 2015.

Annual Required Contribution (ARC)	\$ 18,670,551
Interest on net OPEB obligation	2,454,446
Adjustment to ARC	<u>(2,885,635)</u>
Annual OPEB cost	18,239,362
Contributions made	(6,100,593)
Additional Contributions made	<u>(2,900,000)</u>
Increase in net OPEB obligation	9,238,769
Net OPEB obligation - beginning of year	<u>61,361,149</u>
Net OPEB obligation - end of year	<u>\$ 70,599,918</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ 13,454,276	37%	\$ 8,486,660
2010	\$ 13,958,055	39%	\$ 16,950,008
2011	\$ 17,462,370	38%	\$ 27,758,739
2012	\$ 18,836,209	49%	\$ 37,424,297
2013	\$ 15,874,796	54%	\$ 44,732,429
2014	\$ 16,735,145	51%	\$ 52,895,760
2015	\$ 17,343,121	51%	\$ 61,361,149
2016	\$ 18,239,362	49%	\$ 70,599,918

The City's net OPEB obligation as of June 30, 2016 is recorded as a long-term liability in the accompanying government-wide financial statement.

E. Funded Status and Funding Progress

The funded status of the plan as of January 1, 2015, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 186,446,346
Actuarial value of plan assets	<u>(7,724,531)</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 178,721,815</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>4.14%</u>
Covered payroll (active plan members)	<u>\$ 64,322,772</u>
UAAL as a percentage of covered payroll	<u>277.9%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of OPEB Funding Progress, presented as required supplementary information following the Notes to Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

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

In the January 1, 2015 actuarial valuation, the projected unit credit cost method was used. The actuarial value of assets was not determined as the City has not advanced funded its obligation. The actuarial assumptions included a 4.75% investment rate of return and an initial annual healthcare cost trend rate of 8.00% which decreases to a 5 - 6% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 24 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3.25%, and normal cost payment increases at a rate of 6.25%.

18. Retirement System

The City follows the provisions of GASB Statement No. 67 *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25* and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the employees' retirement funds.

A. Plan Description

The Leominster Contributory Retirement System (the System) is a member of the Massachusetts Contributory Retirement System (MA System) and is governed by Chapter 32 of the Massachusetts General Laws. Because of the significance of its operational and financial relationship with the City, the System is included as a pension trust fund in the City's basic financial systems.

Substantially all employees of the City (except teachers and administrators under contract employed by the School Department) and Leominster Housing Authority are members of the Leominster Contributory Retirement System (the System), a cost sharing, multiple employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages and benefits paid. The System is governed by a five-member board. The five members include two appointed by the City, two elected by the members and retirees, and a fifth member chosen by the other four members with the approval of the Public Employee Retirement Administration Commission. The System Retirement Board does not have the authority to amend benefit provisions.

Membership of each plan consisted of the following at December 31, 2014 (the latest actuarial valuation):

Retirees and beneficiaries receiving benefits	388
Terminated plan members entitled to but not yet receiving benefits	127
Active plan members	<u>619</u>
Total	<u><u>1,134</u></u>
Number of participating employers	2

Participant Retirement Benefits

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-year average annual rate of regular compensation for those first becoming members

of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 10 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left City employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4, have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

Participants Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution

percentage is determined by their date of entry into the system. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

The City's contribution to the System for the year ended June 30, 2016 was \$8,455,032, which was equal to its annual required contribution.

B. Summary of Significant Accounting Policies

The accounting policies of the System as reflected in the accompanying financial statements for the year ended June 30, 2016 conform to generally accepted accounting principles for public employee retirement systems (PERS). The more significant accounting policies of the System are summarized below:

Basis of Accounting - Contributory retirement system financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized as revenue in the period in which the members provide services to the employer. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments

Investment Policy

Investments are reported at fair value in accordance with PERAC requirements. System assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

Rate of Return

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was

1.29%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

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

C. Net Pension Liability of Participating Employers

The net pension liability was based on an actuarial valuation dated January 1, 2015, and rolled forward to December 31, 2015.

The components of the net pension liability of the participating employers at December 31, 2015, were as follows:

Net Pension Liability of Employers

Total pension liability	\$ 193,969,911
Plan fiduciary net position	<u>158,135,598</u>
Employers' net pension liability	<u>\$ 35,834,313</u>
Plan fiduciary net position as a percentage of total pension liability	81.5%

Actuarial Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation is shown below:

Valuation Date	January 1, 2015 rolled forward to December 31, 2015
Actuarial cost method	Entry Age Normal Cost
Actuarial assumptions:	
Investment rate of return	5.50%
Projected salary increases	4.00% for Group 4 and 3.75% for Groups 1 & 2
Inflation rate	3.00%
Post-retirement cost-of-living adjustment	None Assumed

Actuarial valuation of the ongoing Systems involves estimates of the reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality

and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions used in the December 31, 2015 valuation were based on the results of the most recent actuarial experience study, dated January 1, 2014, which was for the period January 1, 2013 through December 31, 2013.

Mortality rates were based on the RP-2000 Employees table with Scale BB and Generational Mortality (gender distinct). For disabled retirees, this table is set forward 2 years.

Target Allocations

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range (expected returns, net of pension plan investment expense and inflation) is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Large Cap Equities	28.60%	4.37%
Small/Mid Cap Equities	6.90%	4.61%
International Equities	18.60%	4.85%
Emerging Equities	10.20%	6.31%
Core Bonds	2.90%	0.76%
20+ Year Treasuries	2.90%	0.49%
TIPS	1.80%	0.97%
High-Yield Bonds	0.90%	2.67%
Bank Loans	0.90%	2.91%
EMD (External)	0.60%	2.91%
EMD (Local Currency)	1.20%	3.40%
Private Debt	2.40%	4.85%
Private Equity	5.90%	6.31%
Real Estate	5.90%	3.40%
Timberland	2.40%	3.95%
Hedge Funds	5.30%	3.40%
Cash/Portfolio Completion	2.60%	3.09%

Discount Rate: The discount rate used to measure the total pension liability was 5.5%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current

contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive 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 Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 5.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (4.5%) or 1 percentage-point higher (6.5%) than the current rate:

<u>Fiscal Year Ended</u>	<u>1% Decrease (4.5%)</u>	<u>Current Discount Rate (5.5%)</u>	<u>1% Increase (6.5%)</u>
6/30/2016	\$ 58,229,487	\$ 34,479,776	\$ 15,407,887

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the City reported a liability of \$34,479,776 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At January 1, 2015, the City's proportion was 96.22 percent.

For the year ended June 30, 2016, the City recognized pension expense of \$5,065,163. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 117,068
Net difference between projected and actual earnings on pension plan investments	6,080,365	-
Changes in proportion and differences between contributions and proportionate share of contributions	<u>70,114</u>	<u>126,205</u>
Total	<u>\$ 6,150,479</u>	<u>\$ 243,273</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 1,426,300
2017	1,426,300
2018	1,426,300
2019	1,679,691
2020	(30,444)
Thereafter	<u>(20,941)</u>
Total	<u>\$ 5,907,206</u>

19. Massachusetts Teachers' Retirement System (MTRS)

A. Plan Description

The Massachusetts Teachers' Retirement System (MTRS) is a public employee retirement system (PERS) that administers a cost-sharing, multi-employer defined benefit plan, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational collaboratives, and Quincy College. The MTRS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report.

Management of MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB), which consists of seven members—two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves ex-officio as the Chairman of the MTRB.

B. Benefits Provided

MTRS provides retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit

payments are based upon a member’s age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

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

The MTRS’ funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

C. Contributions

Member contributions for MTRS vary depending on the most recent date of membership:

<u>Hire Date</u>	<u>% of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of \$30,000

D. Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of January 1, 2015 rolled forward to June 30, 2015. This valuation used the following assumptions:

- (a) 7.5% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.
- Salary increases are based on analyses of past experience but range from 4.0% to 7.5% depending on length of service.
- Mortality rates were as follows:
 - Pre-retirement – reflects RP-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct).
 - Post-retirement – reflects RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 (gender distinct).

- Disability – assumed to be in accordance with the RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 set forward 4 years.

Investment assets of the MTRS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund’s target asset allocation as of June 30, 2015 and 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	
		<u>2015</u>	<u>2014</u>
Global equity	40.0%	6.9%	7.2%
Core fixed income	13.0%	2.4%	2.5%
Hedge funds	9.0%	5.8%	5.5%
Private equity	10.0%	8.5%	8.8%
Real estate	10.0%	6.5%	6.3%
Value added fixed income	10.0%	5.8%	6.3%
Portfolio completion strategies	4.0%	5.5%	0.0%
Timber/natural resources	4.0%	6.6%	5.0%
Total	<u>100.0%</u>		

E. Discount Rate

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

F. Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MTRS

collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (amounts in thousands):

<u>Fiscal Year Ended</u>	<u>1% Decrease to 6.5%</u>	<u>Current Discount Rate 7.5%</u>	<u>1% Increase to 8.5%</u>
June 30, 2015	\$ 150,054	\$ 120,812	\$ 95,643

G. Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make all actuarial determined employer contributions on behalf of the member employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) and the Commonwealth is a nonemployer contributing entity in MTRS. Since the employers do not contribute directly to MTRS, there is no net pension liability to recognize for each employer.

H. City Proportions

In fiscal year 2015 (the most recent measurement period), the Commonwealth's proportionate share of the MTRS' collective net pension liability and pension expense that is associated with the City was \$120,812,035 and \$9,798,931 respectively, based on a proportionate share of .589625%. As required by GASB 68, the City has recognized its portion of the collective pension expense as both a revenue and expense in the government-wide Statement of Activities.

20. Self-Insurance

The City self-insures against claims for workers compensation, dental and health insurance coverage. Annual estimated requirements for claims are provided in the City's annual operating budget.

Workers Compensation

The City contracts with an insurance consultant for claims processing of the City's workers compensation policy. Under the terms of its insurance coverage, the City is liable for an aggregate liability of \$1,000,000, with a maximum of \$2,000,000. At June 30, 2016, there was no liability for unpaid claims as the City estimates the amount, if any, to be immaterial.

Health Insurance

The City contracts with an insurance carrier for excess liability coverage and an insurance consultant for claims processing of its dental and health insurance

plans. Under the terms of its insurance coverage, the City is liable for dental costs incurred up to \$1,000 per enrollee per year and medical claims up to \$200,000 per enrollee. The City's health insurance plans are retrospectively rated (i.e., level monthly payment amounts are adjusted quarterly to reflect actual claims paid). The claims liability at June 30, 2016 represents an estimate of claims incurred but unpaid at year-end, based on past historical costs and claims paid subsequent to year-end.

Changes in the aggregate liability for claims for the year ended June 30, 2016 are as follows:

Claims liability, beginning of year	\$ 4,875,722
Claims incurred/recognized in fiscal year 2015	21,716,138
Claims paid in fiscal year 2014	<u>(21,273,488)</u>
Claims liability, end of year	<u>\$ 5,318,372</u>

21. Beginning Fund Balance Reclassification

The City's major governmental funds for fiscal year 2016, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity 6/30/15 (as previously reported)	<u>Reclassification</u>	Fund Equity 6/30/15 (as restated)
Water/Sewer System Improvements	\$ (3,769,673)	\$ 3,769,673	\$ -
Nonmajor Governmental Funds	<u>8,467,956</u>	<u>(3,769,673)</u>	<u>4,698,283</u>
Total	<u>\$ 4,698,283</u>	<u>\$ -</u>	<u>\$ 4,698,283</u>

**CITY OF LEOMINSTER, MASSACHUSETTS
SCHEDULE OF OPEB FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2016

(Unaudited)

(Amounts Expressed in thousands)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
01/01/15	\$ 7,725	\$ 186,446	\$ 178,721	4.1%	\$ 64,323	277.9%
01/01/13	\$ 2,171	\$ 181,090	\$ 178,919	1.2%	\$ 64,803	276.1%
01/01/11	\$ -	\$ 212,007	\$ 212,007	0.0%	\$ 58,941	359.7%
01/01/08	\$ -	\$ 154,772	\$ 154,772	0.0%	\$ 49,165	314.8%

See Independent Auditors' Report.

CITY OF LEOMINSTER, MASSACHUSETTS
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016
(Unaudited)

Leominster Contributory Retirement System					
Fiscal Year	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	<u>Covered Payroll</u>	Proportionate Share of the Net Pension Liability as a <u>Percentage of Covered Payroll</u>	Plan Fiduciary Net Position Percentage of the Total <u>Pension Liability</u>
June 30, 2016	96.22%	\$34,479,776	\$ 28,662,007	120.30%	81.53%
June 30, 2015	0.96%	\$31,033,652	\$ 26,349,116	117.78%	82.90%

Massachusetts Teachers' Retirement System							
Fiscal Year	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Commonwealth of Massachusetts' Total Proportionate Share of the Net Pension Liability Associated <u>with the City</u>	Total Net Pension Liability Associated with the City	<u>Covered Payroll</u>	Proportionate Share of the Net Pension Liability as a Percentage of <u>Covered Payroll</u>	Plan Fiduciary Net Position Percentage of the Total <u>Pension Liability</u>
June 30, 2016	0.5896%	\$ -	\$ 120,812,035	\$ 120,812,035	\$ 37,375,668	0.00%	55.38%
June 30, 2015	0.6022%	\$ -	\$ 95,722,448	\$ 95,722,448	\$ 36,921,772	0.00%	61.64%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

CITY OF LEOMINSTER, MASSACHUSETTS

**SCHEDULE OF PENSION CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2016
(Unaudited)**

Leominster Contributory Retirement System					
<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2016	\$ 8,455,032	\$ (8,455,032)	\$ -	\$ 28,662,007	29.50%
June 30, 2015	\$ 8,376,557	\$ (8,376,557)	\$ -	\$ 26,349,116	31.79%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

**CITY OF LEOMINSTER, MASSACHUSETTS
CONTRIBUTORY RETIREMENT SYSTEM**

Schedule of Changes in the Net Pension Liability

(Unaudited)

	<u>2016</u>	<u>2015</u>
Total pension liability		
Service cost	\$ 4,564,989	\$ 4,700,942
Interest on unfunded liability - time value of \$	10,348,915	10,032,001
Differences between expected and actual experience	(144,198)	-
Benefit payments, including refunds of member contributions	<u>(8,793,807)</u>	<u>(8,876,028)</u>
Net change in total pension liability	5,975,899	5,856,915
Total pension liability - beginning	<u>187,994,011</u>	<u>182,137,096</u>
Total pension liability - ending (a)	<u>\$ 193,969,910</u>	<u>\$ 187,994,011</u>
 Plan fiduciary net position		
Contributions - employer	\$ 8,877,488	\$ 8,760,770
Contributions - member	2,629,443	2,890,151
Net investment income	(246,364)	9,301,503
Benefit payments, including refunds of member contributions	(8,793,807)	(8,876,028)
Administrative expense	<u>(139,267)</u>	<u>(116,937)</u>
Net change in plan fiduciary net position	2,327,493	11,959,459
Plan fiduciary net position - beginning	<u>155,808,104</u>	<u>143,848,645</u>
Plan fiduciary net position - ending (b)	<u>\$ 158,135,597</u>	<u>\$ 155,808,104</u>
 Net pension liability (asset) - ending (a-b)	<u>\$ 35,834,313</u>	<u>\$ 32,185,907</u>

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the City's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

**CITY OF LEOMINSTER, MASSACHUSETTS
CONTRIBUTORY RETIREMENT SYSTEM**

Schedules of Net Pension Liability, Contributions, and Investment Returns

(Unaudited)

Schedule of Net Pension Liability

	<u>2016</u>	<u>2015</u>
Total pension liability	\$ 193,969,911	\$ 187,994,011
Plan fiduciary net position	<u>158,135,598</u>	<u>155,808,104</u>
Net pension liability (asset)	<u>\$ 35,834,313</u>	<u>\$ 32,185,907</u>
Plan fiduciary net position as a percentage of the total pension liability	81.53%	82.88%
Covered payroll	\$ 28,662,007	\$ 27,327,438
Participating employer net pension liability (asset) as a percentage of covered payroll	125.02%	117.78%

Schedule of Contributions

	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 8,455,032	\$ 8,687,572
Contributions in relation to the actuarially determined contribution	<u>8,455,032</u>	<u>8,687,572</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 28,662,007	\$ 27,327,438
Contributions as a percentage of covered payroll	29.50%	31.79%

Schedule of Investment Returns

Year Ended December 31

	<u>2016</u>	<u>2015</u>
Annual money weighted rate of return, net of investment expense	1.29%	6.70%

*Schedules are intended to show information for 10 years.
Additional years will be displayed as they become available.*

See Independent Auditors' Report.

CITY OF LEOMINSTER, MASSACHUSETTS

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES -
BUDGET AND ACTUAL

ANNUALLY BUDGETED SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
<u>WATER</u>				
Revenues and Other Sources:				
Charges for services	\$ 5,675,000	\$ 5,675,001	\$ 6,393,951	\$ 718,950
Transfers in	-	731,037	731,037	-
Total Revenues and Other Sources	5,675,000	6,406,038	7,124,988	718,950
Expenditures and Other Uses:				
Public works	4,057,770	4,788,808	4,682,007	106,801
Debt service	1,617,230	1,617,230	1,614,640	2,590
Transfers out	-	-	828,341	(828,341)
Total Expenditures and Other Uses	5,675,000	6,406,038	7,124,988	(718,950)
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ -	\$ -
<u>SEWER</u>				
Revenues and Other Sources:				
Charges for services	\$ 5,214,000	\$ 5,214,000	\$ 6,074,921	\$ 860,921
Transfers in	-	1,330,534	1,330,534	-
Total Revenues and Other Sources	5,214,000	6,544,534	7,405,455	860,921
Expenditures and Other Uses:				
Public works	4,039,120	5,313,007	5,078,346	234,661
Debt service	1,174,880	1,231,527	1,189,176	42,351
Transfers out	-	-	1,137,933	(1,137,933)
Total Expenditures and Other Uses	5,214,000	6,544,534	7,405,455	(860,921)
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ -	\$ -

See Independent Auditors' Report.