

**TOWN OF MAYNARD, MASSACHUSETTS**

Report on Examination of  
Basic Financial Statements  
and Additional Information  
Year Ended June 30, 2013

TOWN OF MAYNARD, MASSACHUSETTS

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YEAR ENDED JUNE 30, 2013

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**INDEPENDENT AUDITORS' REPORT**

The Honorable Members of the Board of Selectmen  
And Citizens of Maynard  
Town of Maynard, Massachusetts

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Maynard, Massachusetts, (the "Town") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

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

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

### **GAAP Departure**

Management has not included the Maynard Contributory Retirement System (the "Retirement System") in the Town's financial statements. Accounting principles generally accepted in the United States of America require the Retirement System to be presented as a fiduciary fund and thus increasing its assets, liabilities, revenues and expenses, and changing the net position of the aggregate remaining fund information. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the aggregate remaining fund information cannot be reasonably determined.

### **Opinions**

In our opinion, except for the effects of the matter discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Restatement**

The Town's basic financial statements as of and for the year ended June 30, 2012 were audited by other auditors whose opinion, dated March 21, 2013, on those basic financial statements was qualified. As discussed in Note V, the Town has restated its fiscal year 2012 basic financial statements during the current year. The other auditors reported on the basic financial statements before this restatement.

### **Change in Accounting Principle**

As described in Note B, the Town implemented Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflow of Resources and Net Position*. Our opinion was not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the funding and contribution progress for pension benefits and other postemployment benefits, and budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2013 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Roselli, Clark & Associates  
Certified Public Accountants  
Woburn, Massachusetts  
November 1, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town of Maynard, Massachusetts (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information found in this report.

### Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by approximately \$55.4 million (*total net position*).
- The Town's total net position increased by approximately \$5.2 million or approximately 10.4% year-over-year. This increase was primarily a result of a \$5.0 million increase in net position in the Town's governmental activities. The increase in the Town's governmental activities was primarily the result of the Town's new High School construction project and the construction reimbursement funds it recognized as revenue from the Massachusetts School Building Authority, or MSBA, for eligible construction costs. As the new High School construction was in-process at year end, the Town had not yet begun to depreciate this asset. Accordingly, governmental activities reported a positive effect from this project. This positive effect was offset by increased other postemployment benefit costs, or OPEB.
- The Town's business-type activities, which consist of sewer and water enterprises, continue to report favorable results from operations and increased 1% from year to year as results were in line with expectations.
- The Town's total long-term debt in both its governmental activities and business-type activities increased by nearly \$4.6 million in 2013. The Town issued nearly \$7.7 million in general obligation bonds in February 2013 at interest rates ranging from 1.0% to 2.4% per annum. The Town repaid approximately \$3.3 million in long-term debt in 2013. At June 30, 2013, the Town had \$22.3 million in authorized but unissued debt related to its High School construction project and \$2.1 million for other purposes.
- As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$15.8 million. This represents a decrease of approximately \$5.1 million from the prior year. Unlike the accounting for the High School construction project within the Town's governmental activities described above, governmental funds report the costs of this project as expenditures in the current period. Therefore, this construction project was the primary contributor of this decrease in fund balance. Of the ending fund balance approximately \$5.2 million is *available for spending* at the government's discretion as *unassigned fund balance*. The remainder is earmarked for specific expenditures.
- At the end of the current fiscal year, unassigned fund balance for the general fund was approximately \$5.2 million, or approximately 14% percent of total fiscal year 2013 general fund expenditures.

### Overview of the Financial Statements

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

**Government-wide Financial Statements** – The *government-wide financial statements* are designed to provide readers with a broad overview of the Town’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town’s assets and deferred outflows of resources and its liabilities and deferred inflows of resources, with the difference between the two reported as *net position* (formerly referred to as *net assets*). Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, highways and streets, sanitation, education, health and human services, culture and recreation, fringe benefits and debt service. The business-type activities of the Town include water and sewer enterprise funds.

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

Accounting guidelines distinguish fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

- Restricted—amounts constrained by external parties, constitutional provision, or enabling legislation.
- Committed—amounts constrained by a government using its highest level of decision-making authority.
- Assigned—amounts a government intends to use for a particular purpose.
- Unassigned—amounts that are not constrained at all will be reported in the general fund or in other major funds if negative.

**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.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This schedule has been prepared as required supplementary information and can be found along with the corresponding notes in this report.

**Proprietary Funds** – *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for enterprise funds of the sewer and water activities.

**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 statement because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the 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.

### Government-Wide Financial Analysis

The following table represents the condensed statement of net position:

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
		As Restated		As Restated		As Restated
<b><u>Assets</u></b>						
Current and other assets	\$ 31,402,288	\$ 39,954,386	\$ 6,184,770	\$ 6,501,421	\$ 37,587,058	\$ 46,455,807
Capital assets, net	73,734,049	46,890,102	24,157,076	24,565,238	97,891,125	71,455,340
<b>Total assets</b>	<b>105,136,337</b>	<b>86,844,488</b>	<b>30,341,846</b>	<b>31,066,659</b>	<b>135,478,183</b>	<b>117,911,147</b>
<b><u>Liabilities</u></b>						
Long-term liabilities	58,523,029	45,767,529	15,295,206	15,198,403	73,818,235	60,965,932
Other liabilities	6,008,146	5,494,689	243,382	1,258,823	6,251,528	6,753,512
<b>Total liabilities</b>	<b>64,531,175</b>	<b>51,262,218</b>	<b>15,538,588</b>	<b>16,457,226</b>	<b>80,069,763</b>	<b>67,719,444</b>
<b><u>Net Position</u></b>						
Invested in capital assets, net of related debt	38,970,400	21,822,206	9,210,403	9,522,046	48,180,803	31,344,252
Restricted	9,641,301	12,932,615	-	-	9,641,301	12,932,615
Unrestricted	(8,006,539)	827,449	5,592,855	5,087,387	(2,413,684)	5,914,836
<b>Net Position</b>	<b>\$ 40,605,162</b>	<b>\$ 35,582,270</b>	<b>\$ 14,803,258</b>	<b>\$ 14,609,433</b>	<b>\$ 55,408,420</b>	<b>\$ 50,191,703</b>

The following table represents the condensed statement of changes in net position:

	Governmental activities		Business-type activities		Total	
	June 30, 2013	June 30, 2012 As Restated	June 30, 2013	June 30, 2012 As Restated	June 30, 2013	June 30, 2012 As Restated
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 3,059,361	\$ 2,588,697	\$ 4,136,756	\$ 4,247,695	\$ 7,196,117	\$ 6,836,392
Operating grants and contributions	9,234,740	8,984,507	108,951	61,887	9,343,691	9,046,394
Capital grants and contributions	9,216,696	3,714,679	-	-	9,216,696	3,714,679
General revenues:						
Property taxes	25,613,825	24,233,832	-	-	25,613,825	24,233,832
Intergovernmental	1,281,467	1,278,742	-	-	1,281,467	1,278,742
Other	1,364,165	3,117,757	11,291	27,963	1,375,456	3,145,720
Total revenues	49,770,254	43,918,214	4,256,998	4,337,545	54,027,252	48,255,759
<b>Expenses</b>						
General government	2,868,507	2,226,986	-	-	2,868,507	2,226,986
Public safety	7,414,077	6,391,353	-	-	7,414,077	6,391,353
Education	28,944,998	27,231,010	-	-	28,944,998	27,231,010
Public works	2,290,134	1,899,879	-	-	2,290,134	1,899,879
Health and human services	606,517	471,255	-	-	606,517	471,255
Culture and recreation	1,392,570	860,730	-	-	1,392,570	860,730
Debt service	1,645,072	1,003,321	-	-	1,645,072	1,003,321
Sewer	-	-	2,009,132	1,683,144	2,009,132	1,683,144
Water	-	-	1,313,584	1,200,936	1,313,584	1,200,936
Total expenses	45,161,875	40,084,534	3,322,716	2,884,080	48,484,591	42,968,614
Change in net position before transfers	4,608,379	3,833,680	934,282	1,453,465	5,542,661	5,287,145
Transfers	414,513	654,663	(740,457)	(704,663)	(325,944)	(50,000)
Change in net position	5,022,892	4,488,343	193,825	748,802	5,216,717	5,237,145
Net position, beginning of year	35,582,270	31,093,927	14,609,433	13,860,631	50,191,703	44,954,558
Net position, end of year	\$ 40,605,162	\$ 35,582,270	\$ 14,803,258	\$ 14,609,433	\$ 55,408,420	\$ 50,191,703

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's total net position increased by approximately \$5.2 million or approximately 10.4% year-over-year. This increase was primarily a result of the \$5.0 million increase in net position in the Town's governmental activities. The increase in the Town's governmental activities was primarily the result of the Town's new High School construction project and the construction reimbursement funds it received from the MSBA for eligible construction costs. As the new High School construction was in-process at year end, the Town had not yet begun to depreciate this asset. Accordingly, governmental activities reported a positive effect from this project. This positive effect was offset by increased other postemployment benefit costs, or OPEB. The business-type activities of sewer and water utility services continue to report healthy, positive operations as revenues from users exceeded expenses.

The largest portion (\$48.2 million) of the Town's overall net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt (netted down by those amounts expected to be reimbursed by the Commonwealth) used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional significant portion of the Town's total net position (\$9.6 million) represents resources that are subject to external restrictions on how they may be used.

The remaining category represents *unrestricted net position* which is currently in a deficit position of approximately \$2.4 million. Surpluses of nearly \$5.6 million in the business-type activities are offset by a deficit of approximately \$8.0 million in the governmental activities. The business-type surplus may be used to meet the ongoing obligations of the business-type activities. The governmental activities deficit is primarily the result of a \$14.1 million OPEB obligation at June 30, 2013, which the Town expects to continue to increase for the foreseeable future.

**Governmental Activities** – Total revenues in fiscal year 2013 in the Town's governmental activities increased nearly \$5.9 million, or 13.3%, from fiscal year 2012. This increase was due primarily to a nearly \$5.8 million increase in operating and capital grants year-over-year mainly as a result of the High School Construction Project and related reimbursements from the State previously discussed. Property taxes, which represent approximately 51.5% of total fiscal year 2013 revenues, increased nearly \$1.4 million, or 5.7%, year-over-year. No other revenue sources were greater than 10% of total revenues in fiscal years 2013 or 2012.

Education represents the largest expense category for the Town. In fiscal year 2013, education expenses represented approximately 64.1% of total expenses in governmental activities. Furthermore, education expenses increased over \$1.7 million, or 6.3%, year-over-year. Public safety expenses represented 16.4% of total fiscal year 2013 expenses in governmental activities, which as a percentage of total governmental activities expenses was consistent with the prior year. No other expense types were greater than 10% of total expenses in fiscal years 2013 or 2012.

**Business-Type Activities** – User charges for sewer and water services represent over 97% of both fiscal year 2013 and 2012 revenues in the Town's business-type activities. Both the sewer and water enterprises reported positive results from operations in fiscal year 2013.

**Restatement** – A restatement of the beginning net positions of both the governmental activities and the business-type activities was made in fiscal year 2013. You should refer to Note V to the basic financial statements for further detail.

### **Government Funds Financial Analysis**

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

**Governmental Funds** – The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's 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 close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$15.8 million. This represents a decrease of approximately \$5.1 million from the prior year. Unlike the accounting for the High School construction project within the Town's governmental activities described above, governmental funds report the costs of this project as expenditures in the current period. Therefore, this construction project was the primary contributor of this decrease in fund balance. Of the ending fund balance approximately \$5.2 million is *available for spending* at the government's discretion as *unassigned fund balance*. The remainder is earmarked for specific expenditures.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was approximately \$5.2 million, while total general fund balance reached approximately \$6.2 million. 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 fund expenditures. Unassigned fund balance represents nearly 14.0% of total general fund expenditures, while total fund balance represents approximately 16.5% of that same amount.

The Town also maintains a major fund to account for its High School construction project. The project began approximately two years ago and, while students began attending the High School in September 2013, the entire project is expected to be completed before the close of fiscal year 2014. A significant portion of this construction project (56.4%) is expected to be financed by the MSBA. Through June 30, 2013, the MSBA reimbursed the Town approximately \$19.1 million. The Town expects to receive an additional \$4.4 million from the MSBA in fiscal year 2014. At June 30, 2013, the High School construction project fund reported a surplus of \$2.6 million, primarily as a result of bond proceeds not yet used.

The Town's community preservation fund reported a \$0.1 million increase in fund balance year-over-year.

The Town's aggregate nonmajor funds include the Town's special revenue funds, capital projects and trust funds. The fund balances in the nonmajor funds decreased nearly \$0.2 million in fiscal year 2013 to approximately \$6.1 million at June 30, 2013.

**Proprietary Funds** – The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, net position of the sewer fund was over \$6.8 million and net position of the water fund amounted to approximately \$8.0 million.

**Fiduciary Fund** – The Town's fiduciary fund is comprised of the Town's OPEB trust and private purpose trust funds at June 30, 2013. Management elected not to present the Town's Pension System, thus causing the financial statements to be qualified.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget were not significant.

### **Capital Asset and Debt Administration**

**Capital Assets** – The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to approximately \$97.9 million, net of accumulated depreciation. This investment in capital assets includes land, buildings and system improvements, machinery and equipment and reflects an increase of approximately \$26.4 million net of depreciation, primarily as a result of the Town's High School construction project.

The Town has undergone significant capital improvements over the past several years. These include major improvements and additions to its educational facilities, roads, streets and enterprise fund assets. A significant portion of these improvements were funded with reimbursements from grants provided by the MSBA. Additional information on the Town capital assets can be found in Note II, Section C of this report.

**Long-term Debt** – At June 30, 2013, the Town had total debt outstanding of approximately \$57.1 million. Of this amount approximately \$42.2 million represents general obligation bonds of

governmental activities and approximately \$14.9 million represents general obligation bonds and notes of business-type activities.

The Town's total long-term debt had a net increase of approximately \$4.6 million in fiscal year 2013. This was a result of \$7.7 million of new debt being issued for school construction and public safety equipment being offset by regular, scheduled principal repayments.

The Town has an agreement with the Commonwealth of Massachusetts to receive reimbursements for a portion of principal payments related to debt issued in prior years for school construction at the Fowler Middle School. The Town expects to be reimbursed approximately \$898,000 each year through fiscal year 2023 by the Commonwealth for this school construction project.

On September 23, 2013, Moody's Investors Service assigned a bond rating of Aa3 for its general obligation debt. This is the fourth highest bond rating this rating agency assigns and indicates that the Town's debt is of "investment grade."

The Town also holds a proportionate share of debt of other governmental units that provide services within the Town's boundaries. Debt service from such arrangements is assessed annually to the Town. Additional information on the Town's debt can be found in Note II, Sections E and F of this report.

#### **Economic Factors and Next Year's Budgets and Rates**

- The U.S. Bureau of Labor Statistics reported a 5.3% unemployment rate for Middlesex County for July 2013, which is significantly better than the state-wide unemployment rate of 7.2%. This indicates a steady, if not growing, level of employment for the area. While there are signs of economic improvement in the labor markets, there continues to be great volatility.
- The Town's real estate tax base is made up predominantly of residential taxes, which in setting the 2014 tax rate was approximately 82.6% of the entire real estate tax levy. The Town also relies to a moderate degree on its commercial, industrial and personnel property real estate tax base which comprise the remainder of the levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town's ability to increase taxes in any one year by more than 2 ½% of the previous year tax levy.
- The Town's housing market has stabilized, but prices are still well below their 2005 peaks. The region has begun showing some consistent improvements on housing valuations over the prior year. As the economy rebounds, the Town expects its housing market to participate ratably in the rebound. Yet, the extent, timing or certainty of any material housing rebound can't be reasonably estimated.

The above items were considered when the Town accepted its budget for fiscal year 2014 at the May 2013 Town Meeting. The Town set its fiscal year 2014 tax rate on December 11, 2013.

#### **Requests for Information**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Town Accountant, 195 Main Street, Maynard, Massachusetts 01754.

TOWN OF MAYNARD, MASSACHUSETTS

STATEMENT OF NET POSITION  
JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 16,062,306	\$ 1,621,429	\$ 17,683,735
Investments	439,722	1,416,533	1,856,255
Receivables, net of allowance for uncollectible accounts:			
Property taxes	427,058	-	427,058
User fees	-	2,252,948	2,252,948
Departmental and other	2,133,522	-	2,133,522
Intergovernmental	12,339,680	893,860	13,233,540
Capital assets not being depreciated	43,456,308	-	43,456,308
Capital assets, net of depreciation	30,277,741	24,157,076	54,434,817
<b>Total Assets</b>	<u>105,136,337</u>	<u>30,341,846</u>	<u>135,478,183</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	-	-	-
<b>LIABILITIES</b>			
Current liabilities:			
Warrants and accounts payable	2,401,060	93,291	2,494,351
Accrued payroll and related expenses	1,344,933	13,645	1,358,578
Accrued interest expense	546,741	136,446	683,187
Retainage payable	1,687,279	-	1,687,279
Other	28,133	-	28,133
Noncurrent liabilities:			
Due in one year or less	3,740,785	1,148,951	4,889,736
Due in more than one year	54,782,244	14,146,255	68,928,499
<b>Total Liabilities</b>	<u>64,531,175</u>	<u>15,538,588</u>	<u>80,069,763</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
	-	-	-
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	38,970,400	9,210,403	48,180,803
Restricted for:			
Nonexpendable funds	23,705	-	23,705
Expendable funds	465,437	-	465,437
Capital projects	2,661,194	-	2,661,194
High School construction project	2,637,222	-	2,637,222
Other	3,853,743	-	3,853,743
Unrestricted	(8,006,539)	5,592,855	(2,413,684)
<b>Total Net Position</b>	<u>\$ 40,605,162</u>	<u>\$ 14,803,258</u>	<u>\$ 55,408,420</u>

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General government	\$ 2,868,507	\$ 729,248	\$ 207,878	\$ 51,825	\$ (1,879,556)	\$	\$ (1,879,556)
Public safety	7,414,077	683,059	19,167	-	(6,711,851)	-	(6,711,851)
Education	28,944,998	1,145,315	8,844,195	8,842,679	(10,112,809)	-	(10,112,809)
Public works	2,290,134	315,261	-	322,192	(1,652,681)	-	(1,652,681)
Health and human services	606,517	175,512	52,891	-	(378,114)	-	(378,114)
Culture and recreation	1,392,570	10,966	110,609	-	(1,270,995)	-	(1,270,995)
Interest expense	1,645,072	-	-	-	(1,645,072)	-	(1,645,072)
Total Governmental Activities	45,161,875	3,059,361	9,234,740	9,216,696	(23,651,078)	-	(23,651,078)
<b>Business-Type Activities</b>							
Sewer	2,009,132	2,431,981	10,638	-	-	\$ 433,487	433,487
Water	1,313,584	1,704,775	98,313	-	-	489,504	489,504
Total Primary Government	\$ 48,484,591	\$ 7,196,117	\$ 9,343,691	\$ 9,216,696	(23,651,078)	922,991	(22,728,087)
<b>General Revenues</b>							
Real and personal property taxes					25,613,825	-	25,613,825
Intergovernmental					1,281,467	-	1,281,467
Motor vehicle and other excise					1,084,195	-	1,084,195
Penalties and interest on taxes					211,806	-	211,806
Investment income					68,164	11,291	79,455
Transfers (net)					414,513	(740,457)	(325,944)
Total general revenues and transfers					28,673,970	(729,166)	27,944,804
Change in Net Position					5,022,892	193,825	5,216,717
Net Position - Beginning of year (as restated - Note V)					35,582,270	14,609,433	50,191,703
Net Position - End of year					\$ 40,605,162	\$ 14,803,258	\$ 55,408,420

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2013

	General	High School Construction Project	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 7,472,592	\$ 1,364,701	\$ 935,956	\$ 6,289,057	\$ 16,062,306
Investments	439,722	-	-	-	439,722
Receivables, net of allowance					
Property taxes	2,254,364	-	1,761	-	2,256,125
Excise taxes and other	243,296	-	-	61,159	304,455
Due from other governments	7,656,804	4,457,296	-	225,580	12,339,680
Total Assets	<u>18,066,778</u>	<u>5,821,997</u>	<u>937,717</u>	<u>6,575,796</u>	<u>31,402,288</u>
<b>Deferred Outflows of Resources</b>					
	-	-	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 18,066,778</u>	<u>\$ 5,821,997</u>	<u>\$ 937,717</u>	<u>\$ 6,575,796</u>	<u>\$ 31,402,288</u>
<b>Liabilities</b>					
Warrants and accounts payable	\$ 499,443	\$ 1,497,496	\$ -	\$ 404,122	\$ 2,401,061
Accrued payroll and related expenses	1,302,541	-	-	42,392	1,344,933
Retainage payable	-	1,687,279	-	-	1,687,279
Other liabilities	28,133	-	-	-	28,133
Deferred revenues	10,071,733	-	1,761	61,159	10,134,653
Total Liabilities	<u>11,901,850</u>	<u>3,184,775</u>	<u>1,761</u>	<u>507,673</u>	<u>15,596,059</u>
<b>Deferred Inflows of Resources</b>					
	-	-	-	-	-
<b>Fund Balances</b>					
Nonspendable	-	-	-	23,705	23,705
Restricted	848,353	2,637,222	935,956	4,126,418	8,547,949
Committed	-	-	-	1,918,000	1,918,000
Assigned	116,832	-	-	-	116,832
Unassigned	5,199,743	-	-	-	5,199,743
Total Fund Balances	<u>6,164,928</u>	<u>2,637,222</u>	<u>935,956</u>	<u>6,068,123</u>	<u>15,806,229</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 18,066,778</u>	<u>\$ 5,821,997</u>	<u>\$ 937,717</u>	<u>\$ 6,575,796</u>	<u>\$ 31,402,288</u>

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013

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<b>Total Governmental Fund Balances</b>	\$ 15,806,229
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	73,734,049
Other long-term assets are not available to pay for current-period expenditures and are therefore deferred on funds.	10,134,653
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(546,741)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the government funds:	
Bonds and notes payable	(42,165,760)
Premium received from issuance of long-term debt	(254,693)
Landfill monitoring	(60,000)
Compensated absences	(1,920,999)
Other post-employment benefits	<u>(14,121,576)</u>
<b>Net Assets of Governmental Activities</b>	<u>\$ 40,605,162</u>

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2013

	General	High School Construction Project	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Real estate and personal property taxes, net	\$ 25,025,901	\$ -	\$ 200,602	\$ -	\$ 25,226,503
Intergovernmental	9,692,249	14,915,506	51,825	2,009,856	26,669,436
Motor vehicle and other excises	1,100,785	-	-	-	1,100,785
Departmental and other revenue	661,939	-	-	2,044,144	2,706,083
License and permits	206,385	-	-	-	206,385
Penalties and interest on taxes	211,806	-	-	-	211,806
Fines and forfeitures	85,734	-	-	-	85,734
Investment income	51,023	-	690	16,451	68,164
Contributions and donations	-	-	-	33,955	33,955
<b>Total Revenues</b>	<u>37,035,822</u>	<u>14,915,506</u>	<u>253,117</u>	<u>4,104,406</u>	<u>56,308,851</u>
<b>Expenditures</b>					
<b>Current:</b>					
General government	1,618,183	-	5,750	665,735	2,289,668
Public safety	4,051,011	-	-	555,985	4,606,996
Education	15,158,071	26,480,119	-	3,429,659	45,067,849
Public works	1,727,104	-	-	872,922	2,600,026
Health and human services	399,213	-	4,814	22,593	426,620
Culture and recreation	528,429	-	-	431,042	959,471
Pensions and other fringe benefits	9,626,749	-	-	-	9,626,749
State and county tax assessments	430,128	-	-	-	430,128
<b>Debt service:</b>					
Principal	2,395,550	-	-	-	2,395,550
Interest	1,323,307	-	-	-	1,323,307
<b>Total Expenditures</b>	<u>37,257,745</u>	<u>26,480,119</u>	<u>10,564</u>	<u>5,977,936</u>	<u>69,726,364</u>
<b>(Deficiency) Excess of Revenues Over Expenditures</b>	<u>(221,923)</u>	<u>(11,564,613)</u>	<u>242,553</u>	<u>(1,873,530)</u>	<u>(13,417,513)</u>
<b>Other Financing (Uses) Sources:</b>					
Proceeds from issuance of debt	-	7,170,000	-	490,000	7,660,000
Premium received on issuance of debt	254,693	-	-	-	254,693
Transfers in	1,385,924	-	-	1,999,000	3,384,924
Transfers out	(2,049,000)	-	(122,900)	(798,511)	(2,970,411)
<b>Total Other Financing (Uses) Sources</b>	<u>(408,383)</u>	<u>7,170,000</u>	<u>(122,900)</u>	<u>1,690,489</u>	<u>8,329,206</u>
<b>Net Change in Fund Balances</b>	<u>(630,306)</u>	<u>(4,394,613)</u>	<u>119,653</u>	<u>(183,041)</u>	<u>(5,088,307)</u>
<b>Fund Balances - Beginning of year (as restated see Note V)</b>	<u>6,795,234</u>	<u>7,031,835</u>	<u>816,303</u>	<u>6,251,164</u>	<u>20,894,536</u>
<b>Fund Balances - End of year</b>	<u>\$ 6,164,928</u>	<u>\$ 2,637,222</u>	<u>\$ 935,956</u>	<u>\$ 6,068,123</u>	<u>\$ 15,806,229</u>

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2013

Net Change in Fund Balances - Total Governmental Fund Balances \$ (5,088,307)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and depreciated over their estimated useful lives. This amount represents the net amount of depreciation expense in excess of capital outlay.

The amounts are represented here as reconciling items:

Capital outlays	\$ 28,288,350	
Depreciation expense	<u>(1,444,403)</u>	
Net effect of reporting fixed assets		26,843,947

The issuance of long-term debt 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 has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The net amount presented here as a reconciling item represents the following differences:

Issuance of long-term debt	(7,660,000)	
Repayments on long-term debt	2,395,550	
Premium received from issuance of long-term debt	<u>(254,693)</u>	
Net effect of reporting long-term debt		(5,519,143)

In the Statement of Activities, interest is accrued on outstanding long-term debt; whereas in governmental funds interest is not reported until due. The net amount presented here as a reconciling item represents the difference in accruals between this year and the prior year.

(321,765)

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 differ between the two statements. The amount presented represents the following differences derived from deferred revenue.

(6,538,597)

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

Landfill monitoring	30,000	
Compensated absences, net	(74,563)	
Other post-employment benefits	<u>(4,308,680)</u>	
Net effect of reporting long-term liabilities		<u>(4,353,243)</u>

Change in Net Assets of Governmental Activities \$ 5,022,892

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Business-Type Activities - Enterprise Funds		
	Sewer	Water	Totals
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 869,757	\$ 751,672	\$ 1,621,429
Investments	839,450	577,083	1,416,533
User charges receivable	1,328,481	924,467	2,252,948
Due from other governments	10,804	66,738	77,542
Total current assets	<u>3,048,492</u>	<u>2,319,960</u>	<u>5,368,452</u>
Noncurrent assets:			
Due from other governments	47,273	769,045	816,318
Capital assets, net of accumulated depreciation	15,004,854	9,152,222	24,157,076
Total noncurrent assets	<u>15,052,127</u>	<u>9,921,267</u>	<u>24,973,394</u>
<b>Total Assets</b>	<u>18,100,619</u>	<u>12,241,227</u>	<u>30,341,846</u>
<b>Liabilities</b>			
Current liabilities:			
Warrants payable and other liabilities	77,239	16,052	93,291
Accrued payroll and related expenses	7,945	5,700	13,645
Accrued interest expense	107,814	28,632	136,446
Bond and note indebtedness	601,982	516,800	1,118,782
Compensated absences	11,023	19,146	30,169
Total current liabilities	<u>806,003</u>	<u>586,330</u>	<u>1,392,333</u>
Noncurrent liabilities:			
Bond and note indebtedness	10,311,791	3,516,100	13,827,891
Compensated absences	11,023	19,146	30,169
Other post employment benefits	144,098	144,097	288,195
Total noncurrent liabilities	<u>10,466,912</u>	<u>3,679,343</u>	<u>14,146,255</u>
<b>Total Liabilities</b>	<u>11,272,915</u>	<u>4,265,673</u>	<u>15,538,588</u>
<b>Net Position</b>			
Invested in capital assets, net of related debt	4,091,081	5,119,322	9,210,403
Unrestricted	2,736,623	2,856,232	5,592,855
<b>Total Net Position</b>	<u>\$ 6,827,704</u>	<u>\$ 7,975,554</u>	<u>\$ 14,803,258</u>

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds		
	Sewer	Water	Totals
<b>Operating Revenues</b>			
User charges	\$ 2,428,791	\$ 1,704,641	\$ 4,133,432
Other revenues	3,190	134	3,324
Total Operating Revenues	<u>2,431,981</u>	<u>1,704,775</u>	<u>4,136,756</u>
<b>Operating Expenses</b>			
Operating costs	1,221,278	701,798	1,923,076
Depreciation	565,103	407,164	972,267
Total Operating Expenses	<u>1,786,381</u>	<u>1,108,962</u>	<u>2,895,343</u>
<b>Total Operating Income</b>	<u>645,600</u>	<u>595,813</u>	<u>1,241,413</u>
<b>Nonoperating Income (Expenses)</b>			
Intergovernmental revenues	10,638	98,313	108,951
Interest income	6,461	4,830	11,291
Interest expense	(222,751)	(204,622)	(427,373)
<b>Total Nonoperating Revenues (Expenses), net</b>	<u>(205,652)</u>	<u>(101,479)</u>	<u>(307,131)</u>
<b>Income Before Transfers</b>	439,948	494,334	934,282
Transfers out	(460,279)	(280,178)	(740,457)
<b>Change in Net Position</b>	(20,331)	214,156	193,825
<b>Net Position - Beginning of year (as restated - see Note V)</b>	<u>6,848,035</u>	<u>7,761,398</u>	<u>14,609,433</u>
<b>Net Position - End of year</b>	<u>\$ 6,827,704</u>	<u>\$ 7,975,554</u>	<u>\$ 14,803,258</u>

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2013

	Business-Type Activities - Enterprise Funds		
	Sewer	Water	Totals
<b>Cash Flows from Operating Activities</b>			
Receipts from users	\$ 2,417,701	\$ 1,681,985	\$ 4,099,686
Payments to vendors and employees	(1,176,400)	(723,337)	(1,899,737)
Net Cash Provided by Operating Activities	1,241,301	958,648	2,199,949
<b>Cash Flows from Noncapital Related Financing Activities</b>			
Transfers, net	(460,279)	(280,178)	(740,457)
Net Cash Used for Noncapital Related Financing Activities	(460,279)	(280,178)	(740,457)
<b>Cash Flows from Capital and Related Financing Activities</b>			
Grant received from Commonwealth	30,861	155,352	186,213
Acquisition and construction of capital assets	(464,145)	(99,960)	(564,105)
Principal payments on bonds	(424,586)	(508,837)	(933,423)
Interest paid	(223,937)	(211,990)	(435,927)
Net Cash Used for Capital and Related Financing Activities	(1,081,807)	(665,435)	(1,747,242)
<b>Cash Flows from Investing Activities</b>			
Investment appreciation	(87,720)	(17,092)	(104,812)
Investment income	6,461	4,830	11,291
Net Cash Used for Investing Activities	(81,259)	(12,262)	(93,521)
<b>Net Change in Cash and Cash Equivalents</b>	(382,044)	773	(381,271)
<b>Cash and Cash Equivalents</b>			
Beginning of year	1,251,801	750,899	2,002,700
End of year	\$ 869,757	\$ 751,672	\$ 1,621,429
<b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities:</b>			
Operating income	\$ 645,600	\$ 595,813	\$ 1,241,413
Depreciation	565,103	407,164	972,267
Changes in assets and liabilities:			
Receivables	(14,280)	(22,790)	(37,070)
Warrants payable and accrued expenses	44,878	(21,539)	23,339
Net Cash Provided by Operating Activities	\$ 1,241,301	\$ 958,648	\$ 2,199,949

See accompanying notes to basic financial statements.

**TOWN OF MAYNARD, MASSACHUSETTS**  
**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2013**

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds	Agency Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 919	\$ -	\$ 362,258
Investments, at fair value	102,233	1,556,478	-
Receivables:			
Employee contributions	-	-	-
Public safety details	-	-	16,890
Total receivables	-	-	16,890
<b>Total Assets</b>	<b>103,152</b>	<b>1,556,478</b>	<b>379,148</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	-	-	5,095
Planning board deposits	-	-	314,261
Student activities	-	-	55,917
Other	-	-	3,875
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>379,148</b>
<b>Net Position Held in Trust for</b>			
Pension benefits	-	-	-
Other post-employment benefits	103,152	-	-
Public assistance and scholarships	-	1,556,478	-
<b>Total Net Position</b>	<b>\$ 103,152</b>	<b>\$ 1,556,478</b>	<b>\$ -</b>

See accompanying notes to basic financial statements.

**TOWN OF MAYNARD, MASSACHUSETTS**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2013**

	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
<b>Additions</b>		
Contributions:		
Employer	-	-
Employee	-	-
Commonwealth of Massachusetts	-	-
Transfers from other systems	-	-
Reimbursements from other systems	-	-
Other contributions and donations	-	-
Total contributions	-	-
Investment income:		
Interest and dividends	2,802	58,284
Net appreciation in fair value of investments	-	-
Less - investment management fees	-	-
Net investment earnings	2,802	58,284
<b>Total Additions</b>	2,802	58,284
<b>Deductions</b>		
Benefit payments to retirees and beneficiaries	-	-
Refunds to members	-	-
Transfers to other systems	-	-
Reimbursements to other systems	-	-
Operations payroll expenditures	-	-
Other administrative expenses	-	-
Total Deductions	-	-
<b>Transfers in</b>	50,000	275,944
<b>Change in Net Position</b>	52,802	334,228
<b>Net Position - Beginning of year</b>	50,350	1,222,250
<b>Net Position - End of year</b>	\$ 103,152	\$ 1,556,478

The notes to the financial statements are an integral part of this statement.

# TOWN OF MAYNARD, MASSACHUSETTS

## NOTES TO BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2013

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### I. Summary of Significant Accounting Policies

The basic financial statements of the Town of Maynard, Massachusetts (the "Town") have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board ("GASB"), which is the primary standard-setting body for state and local governmental entities. The following is a summary of the more significant policies and practices used by the Town:

#### A. Reporting Entity

The Town is located approximately twenty miles west of Boston in the Metro West region of Massachusetts in Middlesex County and was incorporated on April 19, 1871. The Town uses the open town meeting form of town government and is governed by a five-member elected Board of Selectmen with an appointed Town Administrator. Members of the Town's Board of Selectmen serve three-year terms.

The Town provides governmental services for the territory within its boundaries, including police and fire protection, rubbish disposal, public education in grades K-12, water and sewer services, street maintenance, parks and recreational facilities including a municipal golf course.

Component units, while separate entities, are in substance part of the governmental operations if the significance of their operations and/or financial relationship with the Town meet certain criteria. The Town has not included the Maynard Contributory Retirement System (the "Retirement System") in the Town's financial statements in accordance with GAAP. GAAP would require that the Retirement System be presented as a fiduciary fund and thus increasing its assets, liabilities, revenues and expenses and changing the net position of the aggregate remaining fund information. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the aggregate remaining fund information cannot be reasonably determined.

#### B. Government-Wide and Fund Financial Statements

In 2013, the Town implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. As a result of the implementation, the basic financial statements were renamed to the *statement of net position* and *statement of revenues, expenses and changes in net position*. These statements were formerly referred to as the *statement of net assets* and *statement of revenues, expenses and changes in net assets*. All previous references to *net assets* have been replaced with the concept of *net position* in accordance with GASB 63. The Town did not have any assets or liabilities that were required to be reported as deferred outflows of resources and deferred inflows of resources in these 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 non-fiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and

intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Major Fund Criteria – Major funds must be reported if both of the following criteria are met:

- 1) The total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least ten percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), and
- 2) The total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding element for all governmental and enterprise funds combined.

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

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

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

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*. For the most part, the effect of interfund activity has been removed from the government-wide financial statements.

The governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e. 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. Expenditures are recorded when the related fund liability is incurred, except for interest on general long-term debt which is recognized when payment is due, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The Town considers property tax revenues to be available if they are collected within sixty days after the end of the fiscal year and are material. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The government reports the following major governmental funds:

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.

High School Construction Fund – is used to account for activity related to construction of the new Maynard High School.

Community Preservation Fund – is used to account for specific activities related to the purchase of land parcels within the Town for community preservation purposes as well as historical preservation.

Nonmajor Governmental Funds – consist of other special revenue, capital projects and permanent funds that are aggregated and presented in the Nonmajor Governmental Funds column on the Governmental Funds financial statements. The following describes the general use of these fund types:

*Special Revenue Funds* – are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

*Capital Project Funds* – are used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

*Permanent Funds* – are used to account for financial resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when the liabilities are incurred.

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. The principal operating revenues are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The government reports the following major proprietary funds:

Sewer Enterprise Fund – accounts for user charges collected to finance costs associated with maintaining the related infrastructure within the Town boundaries by which the sewer activities are processed.

Water Enterprise Fund – accounts for user charges collected to finance costs associated with maintaining the related infrastructure within the Town boundaries by which the water activities are processed.

Fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Fiduciary funds are used to account for assets held in a trustee capacity for others that may not be used for governmental programs.

The government reports the following fiduciary funds:

Pension Trust Fund – is used to account for the activities of the System, which accumulates resources for pension benefits to retired Town employees.

Other Postemployment Benefits Trust Fund – is used to account for funds accumulated by the Town to assist it in its future OPEB obligations.

Private-Purpose Trust Fund – is used to account for trust arrangements under which principal and income benefit individuals, private organizations or other governments. This fund is used primarily for public assistance and scholarships.

Agency Fund – is used to account for assets held in a purely custodial capacity. This fund is primarily used for private public safety details, developer deposits and student activities. Agency funds apply the accrual basis of accounting but do not have a measurement focus.

#### **D. Assets, Liabilities, and Net Position or Equity**

Deposits and Investments – The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the Town are reported at fair value.

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes to the statutory rate per annum. The Town is allowed to take delinquent tax accounts into tax title fourteen days subsequent to the mailing of demand of delinquent taxes. Property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate taxes and water and sewer user fees may be secured through a lien process and are considered 100% collectible. Accordingly, an allowance for uncollectible balances for these receivables is not reported. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for uncollectible balances comprised of those outstanding amounts greater than five years old.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles and infrastructure (e.g. roads, water and sewer mains, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Interest incurred during the construction phase of capital assets of business-type activities, if material is included as part of the capitalized value of the assets constructed.

All purchases and construction costs in excess of \$10,000 are capitalized at the date of acquisition or construction, respectively, with expected lives of greater than two years. 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.

Capital assets (excluding land and construction-in-process) are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	20 to 40 years
Machinery and equipment	5 years
Vehicles	5 years
Infrastructure	20 to 50 years

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

Interfund Transfers – During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out in the individual fund statements. Transfers between and within governmental and fiduciary funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and the business –type activities are reported in the statement of activities as *transfers, net*.

Investment Income – Investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by state law. Investment income of the proprietary funds is voluntarily assigned to the general fund. Investment income of the permanent funds is retained in the funds.

Compensated Absences – It is the Town’s policy to permit employees to accumulate earned but unused sick pay and, in some cases, vacation benefits. Amounts related to sick-pay benefits are carried forward from year to year. Accumulated sick-pay benefits for the Town’s school employees are payable only upon normal retirement, death or after an involuntary termination.

Accumulated sick-pay benefits for non-school employees are paid out upon termination of employment. All sick-pay benefits are capped for all employees at varying amounts depending on the terms of the individual employee's collective bargaining agreement. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting the payroll and related expenditures. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

Long-term Obligations – Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond anticipation notes payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, the face amount of long-term debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are exclusively reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town does not have any items that qualify for reporting as a deferred outflow.

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

Net Position – In the government-wide financial statements, net position reported as “invested in capital assets, net of related debt” includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt and outstanding debt related to future state reimbursements for capital construction costs are not considered to be capital related debt.

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. Net position has been *restricted for* the following:

*Nonexpendable funds* represent the endowment portion of donor restricted trusts that support governmental programs.

*Expendable funds* represent the spendable, yet restricted, amount of various trust funds that support governmental programs.

*Capital project funds* represent financial resources accumulated for various purposes, including the new Maynard High School construction project, and are restricted by state law

*High School Construction Project fund* represent financial resources accumulated for the specific purpose of construction the new Maynard High School.

*MSBA grants* represent amounts anticipated to be received in future periods from the Massachusetts School Building Authority for reimbursement of a portion of debt service payments due in the those periods relative to previously constructed educational facilities.

*Other purposes* which consist of:

*CPA funds* represent funds accumulated in the Town's community preservation fund for community and historical preservation projects.

*Gifts and donations* represent assets that are restricted by donors and other outside parties for specific governmental programs and uses.

*Federal and State grants* represent assets that have restrictions placed on them from federal and state granting agencies.

*Revolving funds* represent assets that are restricted by state laws for specific governmental programs and uses.

*Fund Equity* – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* requires the Town to present its fund balances in its governmental funds using classifications that comprise a hierarchy based primarily on the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

Fund balance is reported in five components – non-spendable, restricted, committed, assigned, and unassigned as described below:

*Non-spendable* represents amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid) or (b) legally or contractually required to be maintained intact as the corpus of the endowment.

*Restricted* represents amounts that have constraints placed either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

*Committed* represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision making authority, which consists of the Town Meeting members through Town Meeting Votes. Those committed amounts cannot be used for any other purpose unless the Town Meeting removes or changes the specified use by taking the same type of action (through Town Meeting Votes) it employed previously to commit those amounts.

*Assigned* represents amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The Town has by ordinance authorized the Town Accountant to assign fund balance. The Town Meeting may also assign fund balance

as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

*Unassigned* represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the Town's policy to use committed resources first, then assigned, and then unassigned as they are needed.

The Town has not established financial policies with respect to maintaining minimum fund balance amounts.

The following table reflects the Town's fund equity categorizations in accordance with GASB 54:

	General	High School Construction Project	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
Non-spendable					
Perpetual permanent funds	\$ -	\$ -	\$ -	\$ 23,705	\$ 23,705
Restricted:					
Expendable trusts	-	-	-	465,437	465,437
Community preservation	-	-	935,956	-	935,956
Debt service reserve	848,353	-	-	-	848,353
Capital projects	-	2,637,222	-	743,194	3,380,416
Federal and state grants	-	-	-	621,385	621,385
Revolving funds	-	-	-	2,296,402	2,296,402
Committed:					
General government	-	-	-	106,000	106,000
Public safety	-	-	-	75,000	75,000
Education	-	-	-	1,062,000	1,062,000
Public works	-	-	-	675,000	675,000
Assigned:					
General government	12,924	-	-	-	12,924
Public safety	169	-	-	-	169
Public works	18,118	-	-	-	18,118
Health and human services	610	-	-	-	610
Pension and other fringe benefits	85,011	-	-	-	85,011
Unassigned	5,199,743	-	-	-	5,199,743
	<u>\$ 6,164,928</u>	<u>\$ 2,637,222</u>	<u>\$ 935,956</u>	<u>\$ 6,068,123</u>	<u>\$ 15,806,229</u>

*Stabilization Funds* – The Town maintains a general stabilization fund which may be used for any municipal purpose upon a two-thirds vote of the Town Meeting. The balance of the fund totals \$1,848,405 at June 30, 2013 and is reported as unassigned fund balance in the General Fund. The Town also maintains a capital stabilization fund which may be used for capital purposes upon a

two-thirds vote of the Town Meeting. The balance of the fund totals \$932,763 at June 30, 2013 and is reported as unassigned fund balance in the General Fund.

Encumbrances – The Town’s encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal purchasing activity approved by the Town Accountant as assigned, and (2) classify encumbrances that result from an action of the Town Meeting as committed. Encumbrances of funds already restricted, or committed are included within the classification of those fund balances and not reported separately. The Town reports \$116,832 of encumbrances from normal purchasing activity in the general fund as assigned. There are no encumbrances reported in any other fund.

**E. Excess of Expenditures Over Appropriations and Deficits**

During the fiscal year ended June 30, 2013, expenditures did not exceed appropriations for the legally adopted budget within the general fund.

**F. Use of Estimates**

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

**II. Detailed Notes to All Funds**

**A. Deposits and Investments**

A cash and investment pool is maintained that is available for use by all funds. Each fund type’s portion of this pool is displayed on the balance sheet as “cash and cash equivalents.” The deposits and investments of trust funds are held separately from those of other funds.

State laws and regulations require the Town to invest funds only in pre-approved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, and State Treasurer’s investment pool (the “Pool”). In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust, or MMDT, which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk: Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk relative to cash holdings. At year-end, \$11,953 in Town bank deposits were not insured by either federal depository insurance, the depositors’ insurance fund or collateralization agreements and was therefore exposed to custodial credit risk.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town or Retirement System may not be able to recover the full amount of its principal investment and/or investment earnings. The Town’s investment of \$161,698 in the MMDT is not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The Town’s investment in mutual funds totaling \$1,017,767 is exposed to custodial credit risk because the related securities are uninsured, unregistered and are held by a counterparty.

Interest Rate Risk – Neither the Town nor the System have formal investment policies that limit investment maturities as a way of managing its exposure to fair value losses arising from rising interest rates.

Concentration of Credit Risk – The Town or System does not place a limit on the amount that may be invested in any one issuer.

Credit Risk – The Town has not adopted a formal policy related to credit risk.

As of June 30, 2013, the Town and had the following investments:

	Fair Value	Time to Maturity		
		Within 1 Year	2 to 5 Years	6 to 10 Years
<u>Investments Subject to Maturity Classification:</u>				
Corporate fixed income	\$ 1,045,055	\$ 245,382	\$ 799,673	\$ -
Government securities	1,290,446	-	1,290,446	-
	2,335,501	\$ 245,382	\$ 2,090,119	\$ -
<u>Investments Not Subject to Maturity Classification:</u>				
Pooled investments - State Treasurer's Fund	161,698			
Mutual fund	1,017,767			
Total Town Investments	\$ 3,514,966			

Of the Town’s investments in corporate fixed income, \$398,995 was rated by Moody’s Investors Service (“Moody’s”) as A1 and \$646,060 was rated by Moody’s as Baa1. All of the Town’s government securities were rated Aaa by Moody’s.

**B. Receivables**

Receivables as of June 30, 2013 for the Town's individual major and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	High School Construction Project	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
Personal property taxes	\$ 22,381	\$ -	\$ 1,761	\$ -	\$ 24,142
Real estate taxes	404,677	-	-	-	404,677
Tax liens	1,827,306	-	-	-	1,827,306
Excise taxes	243,296	-	-	-	243,296
Ambulance	-	-	-	61,159	61,159
Intergovernmental - MSBA	7,656,804	4,457,296	-	-	12,114,100
Intergovernmental - other	-	-	-	225,580	225,580
	<u>\$ 10,154,464</u>	<u>\$ 4,457,296</u>	<u>\$ 1,761</u>	<u>\$ 286,739</u>	<u>\$ 14,900,260</u>

The Town did not record any allowances for uncollectible accounts as of June 30, 2013 in its governmental funds.

Receivables in the Town's proprietary funds comprised user charges and intergovernmental receivables. The Town did not record any allowances for uncollectible accounts as of June 30, 2013 in its proprietary funds.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current accounting period. The following table identifies the components of deferred revenues at June 30, 2013 in the governmental funds:

	General	High School Construction Project	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
Personal property taxes	\$ 21,754	\$ -	\$ 1,761	\$ -	\$ 23,515
Real estate taxes	322,573	-	-	-	322,573
Tax liens	1,827,306	-	-	-	1,827,306
Excise taxes	243,296	-	-	-	243,296
Ambulance	-	-	-	61,159	61,159
Intergovernmental - MSBA	7,656,804	-	-	-	7,656,804
	<u>\$ 10,071,733</u>	<u>\$ -</u>	<u>\$ 1,761</u>	<u>\$ 61,159</u>	<u>\$ 10,134,653</u>

Massachusetts School Building Authority Assistance Reimbursement – The Town is currently being reimbursed by the Commonwealth of Massachusetts for two school construction projects:

Fowler Middle School – The Town began receiving reimbursements from the Commonwealth in fiscal year 2004 for the construction of its Fowler Middle School under a program managed by the School Business Assistance Board, or SBAB, which has since been dissolved and is now part of the MSBA.

The Town receives \$897,611 each year from the Commonwealth in reimbursements for this school construction project. These payments, which are subject to appropriation by the State Legislature, are expected to continue at the same amount through fiscal year 2023. The Town recorded a receivable of \$7,656,804 at June 30, 2013 in its general fund, which represents the net present value of these future payments.

Maynard High School – In connection with the Town’s High School construction project, the MSBA agreed to reimburse the Town for approximately 56% of eligible school construction costs up to a maximum of \$23,483,860. The MSBA is reimbursing the Town periodically upon submission by the Town of school construction cost information and the MSBA’s review and approval of these eligible costs.

The Town recorded a receivable of \$4,457,296 at June 30, 2013 in its High School construction project fund, which represents funds the Town is eligible to receive from the MSBA at June 30, 2013 based on construction cost submissions it made to the MSBA in fiscal year 2013.

MWPAT Loan Subsidies – The Town has entered into several loan agreements with the Massachusetts Water Pollution Abatement Trust (“MWPAT”). The Town recorded \$58,077 and \$835,783 as receivables in its sewer and water enterprise funds, respectively, at June 30, 2013. These amounts represent future debt principal subsidies the Town will receive from the MWPAT through fiscal year 2023. In addition to these principal subsidies, the Town expects to receive an additional \$6,723, \$25,764 and \$409,447 in interest subsidies in its general fund, sewer and water enterprises, respectively, through fiscal year 2023.

**C. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 4,450,569	\$ -	\$ -	\$ 4,450,569
Construction in-process	12,364,591	26,641,148	-	39,005,739
Total capital assets not being depreciated	16,815,160	26,641,148	-	43,456,308
Capital assets being depreciated:				
Infrastructure	5,570,083	855,294	-	6,425,377
Buildings and improvements	41,360,171	286,550	-	41,646,721
Vehicles	957,050	257,757	-	1,214,807
Machinery and equipment	1,707,698	247,600	-	1,955,298
Total capital assets being depreciated	49,595,002	1,647,201	-	51,242,203
Less accumulated depreciation	(19,520,059)	(1,444,403)	-	(20,964,462)
Total capital assets being depreciated, net	30,074,943	202,798	-	30,277,741
Capital assets, net	<u>\$ 46,890,103</u>	<u>\$ 26,843,946</u>	<u>\$ -</u>	<u>\$ 73,734,049</u>

Depreciation expense was charged to functions/programs as follows:

<u>Governmental Activities:</u>	
General government	\$ 50,902
Public safety	228,711
Education	897,930
Public works	151,909
Culture and recreation	114,951
	<u>\$ 1,444,403</u>

As described in Note V, the June 30, 2012 net capital assets balance in the Town's governmental activities was restated from the balance previously reported in the Town's fiscal year 2012 basic financial statements. Net capital assets and net position at June 30, 2012 decreased \$240,517 as a result of this restatement. This restatement was necessary as certain assets placed in service in prior years were not properly depreciated over their estimated useful lives at the time of these assets were placed in service.

<b><u>Business-Type Activities - Sewer</u></b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Infrastructure	\$ 20,655,477	\$ -	\$ -	\$ 20,655,477
Vehicles	25,000	17,001	-	42,001
Machinery and equipment	316,945	447,145	-	764,090
Total capital assets being depreciated	20,997,422	464,146	-	21,461,568
Less accumulated depreciation	(5,891,611)	(565,103)	-	(6,456,714)
Capital assets, net	\$ 15,105,811	\$ (100,957)	\$ -	\$ 15,004,854

<b><u>Business-Type Activities - Water</u></b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Infrastructure	\$ 13,213,801	\$ -	\$ -	\$ 13,213,801
Vehicles	76,942	-	-	76,942
Machinery and equipment	1,046,161	99,960	-	1,146,121
Total capital assets being depreciated	14,336,904	99,960	-	14,436,864
Less accumulated depreciation	(4,879,042)	(405,600)	-	(5,284,642)
Capital assets, net	\$ 9,457,862	\$ (305,640)	\$ -	\$ 9,152,222

Depreciation expense was charged to functions/programs as follows:

**Business-Type Activities:**

Sewer	\$ 565,103
Water	405,600
	<u>\$ 970,703</u>

As described in Note V, the June 30, 2012 net capital assets balance in the Town's business-type activities was restated from the balance previously reported in the Town's fiscal year 2012 basic financial statements. Net capital assets and net position at June 30, 2012 decreased \$442,518 as a result of this restatement. This restatement was necessary as certain assets placed in service in prior years were not properly depreciated over their estimated useful lives at the time of these assets were placed in service.

**D. Interfund Receivables, Payables and Transfers**

Interfund transfers for the fiscal year ended June 30, 2013 are summarized as follows:

Transfers Out	Transfers In			Total	
	General Fund	Nonmajor Funds	Fiduciary Funds		
General fund	\$ -	\$ 1,999,000	\$ 50,000	\$ 2,049,000	(1)
Nonmajor governmental funds	522,567		275,944	798,511	(2)
Community preservation fund	122,900	-	-	122,900	(3)
Sewer enterprise	460,279	-	-	460,279	(4)
Water enterprise	280,178	-	-	280,178	(4)
	<u>\$ 1,385,924</u>	<u>\$ 1,999,000</u>	<u>\$ 325,944</u>	<u>\$ 3,710,868</u>	

- (1) General fund transfers of \$1,999,000 to capital projects and \$50,000 to OPEB trust.
- (2) Special revenue transfers to the general funds of \$345,000 for ambulance receipts; \$109,328 for community education and \$68,239 to close out an old revolving fund.
- (3) Community preservation transfer to general fund.
- (4) Indirect costs transferred from enterprise funds to the general fund.

**E. Temporary Debt**

The Town is authorized to borrow on a temporary basis to fund the following:

Current Operating Costs – Prior to the collection of revenues, expenditures may be financed through the issuance of revenue or tax anticipation notes.

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes (“BANS”) or grant anticipation notes (“GANS”). In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount.

Temporary notes are general obligations of the Town and carry maturity dates not in excess of one year and are interest bearing and will be paid through future issuance of general obligation bonds. The Town’s temporary borrowing activity for fiscal year 2013 was as follows:

Type	Interest Rate	Maturity Date	Balance July 1, 2012	Additions	Retirements	Rollovers	Balance June 30, 2013
BAN	0.65%	2/15/13	\$ -	\$ 490,000	\$ (490,000)	\$ -	\$ -

The Town issued these short-term notes to finance the purchase of the demolition of the Fowler School gymnasium and public safety equipment. These short-term notes were retired using general obligation bond proceeds received in February 2013.

## F. Long-Term Obligations

The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities and equipment. General obligation bonds and notes have been issued for both governmental and business-type activities. In addition, the Town incurs various other long-term obligations related to personnel costs.

State law permits the Town, under the provisions of Chapter 44, Section 10, to authorize indebtedness up to a limit of five percent of its equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." In addition, the Town may authorize debt in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

The following table reflects the activity in the Town's long-term liability accounts during the fiscal year ended June 30, 2013:

Description of Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
<i>Governmental Activities:</i>					
General obligation bonds and notes payable	\$ 36,901,310	\$ 7,660,000	\$ (2,395,550)	\$ 42,165,760	\$ 2,750,285
Premium on bonds payable	-	254,694	-	254,694	-
Landfill monitoring	90,000	-	(30,000)	60,000	30,000
Compensated absences	1,846,436	108,983	(34,420)	1,920,999	960,500
Other post employment benefits, net	9,812,896	5,765,942	(1,457,262)	14,121,576	-
<b>Total Governmental Activities</b>	<b>\$ 48,650,642</b>	<b>\$ 13,789,619</b>	<b>\$ (3,917,232)</b>	<b>\$ 58,523,029</b>	<b>\$ 3,740,785</b>
<i>Business-Type Activities:</i>					
General obligation bonds and notes payable	\$ 15,880,096	\$ -	\$ (933,423)	\$ 14,946,673	\$ 1,118,782
Compensated absences	54,175	17,361	(11,198)	60,338	30,169
Other post employment benefits, net	200,263	117,672	(29,740)	288,195	-
<b>Total Business-Type Activities</b>	<b>\$ 16,134,534</b>	<b>\$ 135,033</b>	<b>\$ (974,361)</b>	<b>\$ 15,295,206</b>	<b>\$ 1,148,951</b>

General obligation bonds and notes outstanding at June 30, 2013 were as follows:

Description	Interest Rate	Outstanding at June 30, 2012	Additions	Maturities and Retirements	Outstanding at June 30, 2013
<i>Governmental Activities:</i>					
General obligation bonds	1.04 - 4.17%	\$ 36,861,875	\$ 7,660,000	\$ (2,390,565)	\$ 42,131,310
MWPAT note	0.00%	39,435	-	(4,985)	34,450
		<u>36,901,310</u>	<u>7,660,000</u>	<u>(2,395,550)</u>	<u>42,165,760</u>
Unamortized premiums on February 2013 bonds		-	254,694	-	254,694
<b>Total Governmental Activities</b>		<b>\$ 36,901,310</b>	<b>\$ 7,914,694</b>	<b>\$ (2,395,550)</b>	<b>\$ 42,420,454</b>
<i>Business-Type Activities:</i>					
General obligation bonds	2.16 - 4.76%	\$ 3,393,125	\$ -	\$ (449,435)	\$ 2,943,690
MWPAT notes	0.00 - 5.50%	12,486,971	-	(483,988)	12,002,983
		<u>15,880,096</u>	<u>-</u>	<u>(933,423)</u>	<u>14,946,673</u>
<b>Total Business-Type Activities</b>		<b>\$ 15,880,096</b>	<b>\$ -</b>	<b>\$ (933,423)</b>	<b>\$ 14,946,673</b>

Payments on general long-term debt obligation bonds due in future years consist of the following:

Year Ending June 30,	Governmental Activities						Total
	Principal			Interest			
	Gross	Subsidized	Net	Gross	Subsidized	Net	
2014	\$ 2,750,285	\$ -	\$ 2,750,285	\$ 1,415,600	\$ (1,782)	\$ 1,413,818	\$ 4,164,103
2015	2,764,705	-	2,764,705	1,328,029	(1,508)	1,326,521	4,091,226
2016	2,784,116	-	2,784,116	1,234,566	(1,242)	1,233,324	4,017,440
2017	2,775,181	-	2,775,181	1,140,944	(973)	1,139,971	3,915,152
2018	2,721,931	-	2,721,931	1,044,727	(691)	1,044,035	3,765,966
2019 - 2023	13,819,542	-	13,819,542	3,635,815	(527)	3,635,289	17,454,831
2024 - 2028	8,600,000	-	8,600,000	1,543,574	-	1,543,574	10,143,574
2029 - 2033	5,950,000	-	5,950,000	456,325	-	456,325	6,406,325
Total	\$ 42,165,760	\$ -	\$ 42,165,760	\$ 11,799,580	\$ (6,723)	\$ 11,792,857	\$ 53,958,617

Year Ending June 30,	Business-Type Activities: Sewer						Total
	Principal			Interest			
	Gross	Subsidized	Net	Gross	Subsidized	Net	
2014	\$ 601,982	\$ (10,804)	\$ 591,178	\$ 254,383	\$ (6,972)	\$ 247,411	\$ 849,393
2015	591,359	(10,844)	580,514	238,237	(6,144)	232,093	823,452
2016	600,859	(11,015)	589,843	222,575	(5,036)	217,539	818,398
2017	609,894	(11,183)	598,711	206,400	(3,913)	202,487	812,381
2018	587,882	(3,102)	584,780	189,703	(1,798)	187,905	775,788
2019 - 2023	2,947,773	(11,129)	2,936,644	718,241	(1,902)	716,340	3,664,113
2024 - 2028	2,800,037	-	2,800,037	377,793	-	377,793	3,177,830
2029 - 2033	2,173,988	-	2,173,988	92,092	-	92,092	2,266,080
Total	\$ 10,913,773	\$ (58,077)	\$ 10,855,696	\$ 2,299,425	\$ (25,764)	\$ 2,273,661	\$ 13,187,434

Year Ending June 30,	Business-Type Activities: Water						Total
	Principal			Interest			
	Gross	Subsidized	Net	Gross	Subsidized	Net	
2014	\$ 516,800	\$ (66,738)	\$ 450,062	\$ 170,056	\$ (75,136)	\$ 94,920	\$ 611,720
2015	512,000	(71,504)	440,496	143,735	(65,588)	78,147	590,147
2016	412,200	(75,461)	336,739	120,258	(57,801)	62,457	474,657
2017	421,500	(80,124)	341,376	99,319	(48,466)	50,853	472,353
2018	425,400	(81,850)	343,550	83,648	(44,666)	38,982	464,382
2019 - 2023	1,745,000	(460,105)	1,284,895	192,242	(117,789)	74,453	1,819,453
2024 - 2028	-	-	-	-	-	-	-
2029 - 2033	-	-	-	-	-	-	-
Total	\$ 4,032,900	\$ (835,783)	\$ 3,197,117	\$ 809,259	\$ (409,447)	\$ 399,813	\$ 4,432,713

The following table includes authorized but unissued debt at June 30, 2013:

High School construction project	\$ 22,320,288
Water tank repair	1,300,000
Pump station construction	498,000
Other	313,000
	<u>\$ 24,431,288</u>

### III. Other Information

#### A. Retirement System

Retirement System Description – The Town contributes to the Town of Maynard Contributory Retirement System (the “Retirement System”), an agency multiple-employer defined benefit pension plan for the Town and Maynard Housing Authority. The Retirement System was established under Chapter 32 of the General Laws of the Commonwealth of Massachusetts. The Retirement System is administered by the Town of Maynard and is part of the reporting entity. Stand alone financial statements for the year ended December 31, 2012 were not issued, however an annual report is available at the Retirement Office, 195 Main Street, Maynard, Massachusetts 01754. Disclosures applicable to the Maynard Housing Authority are not material.

Substantially all employees of the Town, except teachers and certain administrative personnel employed by the school department, participate in the Retirement System. The members of the Retirement System do not participate in the Social Security Retirement System. Benefits paid under the Retirement System, referred to as “retirement allowances,” include both an annuity portion, funded principally from amounts contributed by the participants, and a pension portion, funded by the Town. The payroll for employees covered by the Retirement System for the year ended December 31, 2012, was approximately \$7.7 million.

Membership – Current membership in the Retirement System as of December 31, 2012, is as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	90
Active/inactive employees	<u>198</u>
Total	<u>288</u>

Benefits – Massachusetts contributory retirement system benefits are uniform from retirement system to system. The Retirement System provides for retirement allowance benefits up to a maximum of 80 percent of a participant’s highest three-year average annual rate of regular compensation, if hired prior to April 2, 2012 and using the participants highest five-year average if hired on or after April 2, 2012. Benefit payments are based upon a participant’s age, length of creditable service, level of compensation and group classification.

The retirement allowance consists of two parts: an annuity and a pension. Participants’ accumulated total deductions and portions of the interest they generate constitute the annuity. The differential between the total retirement benefit and annuity is the pension.

From time to time, the Legislature may grant cost-of-living increases to benefits being paid to retirees. These increases are expressed as a percentage of the retiree’s allowance subject to a maximum dollar increase. Since 1982, cost-of-living increases granted to members of local retirement systems have been the financial responsibility of the State. However, beginning in 1998, the funding of future cost-of-living amounts became the responsibility of the participating units. These units are responsible for the full cost-of-living amounts for all new retirees beginning that year, and for any additional cost-of-living increases granted to individuals who retired before 1998. The State shall continue to fund the cost-of-living amounts granted to retirees prior to 1998 for the duration of their selected retirement option.

Participants who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total contributions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive 0%, 50% or 100% of the regular interest that has accrued upon those contributions. A vested employee under the age of 55 who elects to leave his accumulation on deposit may apply for benefits upon reaching that age.

Survivor benefits are extended to eligible beneficiaries of participants whose death occurs prior to or following retirement.

The Retirement System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws.

Normal Retirement – Normal retirement generally occurs at age 65; however, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012 or at any time after attaining age 60 if hired on or after April 2, 2012. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years’ creditable service in order to retire at age 55. Participants become vested after ten years of service. Benefits commencing before age 65 are provided at a reduced rate. Members working in certain occupations may retire with full benefits earlier than age 65.

Disability Retirement – The Retirement System provides for both an ordinary disability retirement, where a participant is permanently incapacitated from a cause unrelated to employment and an accidental disability retirement, where the disability is the result of an injury or illness received or aggravated in the performance of duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status.

Funding Status and Progress – The Town has elected provisions of Chapter 32, Section 22D (as amended) of Massachusetts General Laws, which require that a funding schedule be established to fully fund the accrued liability by June 30, 2040. Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method. Amortization of the unfunded actuarial liability is determined using the level dollar amortization method over a 12-year period. Currently, the Town’s funding schedule is calculated to fully fund the accrued liability by June 30, 2030.

The funded status of the Retirement System at January 1, 2011, the most recent valuation date, is:

Actuarial value of assets	\$ 27,520,532
Actuarial accrued liability (“AAL”)	38,320,073
Unfunded actuarial accrued liability (“UAAL”)	10,799,541
Funded ratio (actuarial value of plan assets / AAL)	72%
Covered payroll (annually payroll of active employees covered by the plan)	7,715,688
UAAL as a percentage of covered payroll	140%

The schedules of funding progress, presented as required supplementary information, or RSI, following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL for benefits.

Contribution Requirements and Contributions Made – The Retirement System’s funding policies have been established by Chapter 32 of the Massachusetts General Laws. Depending on their employment date, members must contribute 5%, 7%, 8%, or 9% of their compensation. Additionally, employees hired after January 1, 1979 contribute an additional 2% on earnings in excess of \$30,000.

Contributions are recognized as additions in the period when they become due pursuant to formal commitments, statutory or contractual requirements. Benefits and refunds are recognized as deductions when incurred and administrative expenses are funded through investment earnings.

Member employers are required to contribute the remaining amounts necessary to finance benefits, except for certain cost-of-living adjustments granted between 1982 and 1997, which are reimbursed by the Commonwealth. The amount of these on behalf payments from the Commonwealth were not material to the Town’s financial statements and accordingly were not reported as general fund activity.

GAAP requires that the annual minimum provision for pension costs should include normal cost, interest on unfunded past service cost liability, and amortization of unfunded vested benefits, based on an acceptable actuarial cost method. Chapter 32 of the General Laws as amended requires amortization of the unfunded pension liability over a forty-year period.

Three-Year Trend Information – The three-year trend information for the Retirement System is as follows:

Year Ended December 31,	Annual Required Contribution	Percentage Contributed	Net Pension Obligation
2012	\$ 1,606,982	100 %	\$ —
2011	1,578,116	100 %	\$ —
2010	1,533,692	100 %	\$ —

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

Valuation date:	January 1, 2011
Actuarial cost method	Entry age normal
Amortization method	4.5% increasing
Asset valuation method	Actuarial; 5 year smoothing
Investment rate of return	8.0%
Projected salary increases	Service based table with ultimate rates of 4.75%, 5.00% and 5.25% for groups 1, 2 and 4, respectively

**B. Massachusetts Teachers' Retirement System**

Teachers and certain administrative employees of the School Department participate in a contributory retirement system administered by the Massachusetts Teachers Retirement Board. Contributions to that system totaled \$3,286,723 for the fiscal year and were made entirely by the Commonwealth of Massachusetts, on behalf of the Town, which does not contribute directly to this system.

**C. Risk Financing**

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

**D. Other Postemployment Benefits ("OPEB")**

*Plan Description* – In addition to the pension benefits previously described, the Town provides health and life insurance benefits to current and future retirees, their dependents and beneficiaries (hereinafter referred to as the "Plan") in accordance with Massachusetts General Law Chapter 32B. Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law, and Town ordinance. All benefits are provided through the Town's insurance program. The Plan does not issue a stand-alone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. The number of participants in the Plan consists of 348 active employees and 149 retired employees and spouses for a total of 497.

*Funding Policy* – The contribution requirements of Plan members and the Town are established and may be amended by the Town. Retirees contribute twenty-five percent of the calculated contribution and the remainder of the benefit cost is funded by the Town. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the Plan are paid by the Town.

*Annual OPEB Cost and Net OPEB Obligation* – The Town's annual OPEB cost is calculated based on the annual required contribution ("ARC") of the employer, which is an actuarially determined amount that is calculated in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post employment Benefit Plans Other Than Pension Plans*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities over a period not to exceed thirty years.

The following table reflects the activity regarding the Town's OPEB obligation:

OPEB obligation at beginning of year	\$ 10,013,159
Annual required contribution	5,883,614
Contributions made	<u>(1,487,002)</u>
OPEB obligation at end of year	<u>\$ 14,409,771</u>

Trend information regarding annual pension cost, the percentage of the annual pension cost contributed and the net pension obligation is as follows:

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2013	\$ 5,883,614	25.5%	\$ 14,409,771
June 30, 2012	4,381,842	30.0%	10,013,159
June 30, 2011	2,984,530	30.8%	7,059,824

The fiscal year 2013 AOPEBC was charged to the following functional programs: general government \$310,941; public safety \$1,202,613; education \$3,891,386; public works \$159,837; health and human services \$72,661; culture and recreation \$128,504; sewer \$58,836; and water \$58,836.

*Funding Status and Funding Progress* – The funded status of the Plan at June 30, 2013 for the most recent actuarial valuation performed as of July 1, 2012, was as follows:

Actuarial value of plan assets	\$ —
Actuarial accrued liability (“AAL”)	57,748,120
Unfunded actuarial accrued liability (“UAAL”)	57,748,120
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (annually payroll of active employees covered by the plan)	16,399,822
UAAL as a percentage of covered payroll	352%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Amounts determined regarding the funded status of the Plan and the ARC of the employer are subject to continual revision as estimates are compared to actual results and past expectations.

*Methods and Assumptions* – Projections of benefits for financial reporting purposes are based on the substantive Plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The significant methods and assumptions as of the latest valuation dated July 1, 2012 are as follows:

Actuarial cost method	Entry age normal
Remaining amortization period:	26 years as of July 1, 2012
Interest discount rate:	4.0%
Healthcare/Medical cost trend rate:	9.0%

#### **E. Commitments and Contingencies**

*General* – The Town is party to certain legal claims, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability, if any, at June 30, 2013, cannot be determined, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2013.

Appellate Tax Board – The Town has pending cases filed with the Massachusetts Appellate Tax Board of the Commonwealth of Massachusetts (“ATB”). Many of these cases pertain to the telephone and telegraph companies, who have challenged their assessed valuations of personal property. There are several residential and commercial real estate cases pending at the ATB. In total, the tax assessments for ATB cases total nearly \$1.1 million at June 30, 2013.

The Town cannot estimate at this time the amount of previously assessed property taxes (and interest) that may be refunded to these tax payers, if any. Furthermore, the Town cannot determine the likelihood of the taxpayers’ success at the ATB. Therefore, no such loss provision has been made in the Town’s basic financial statements.

Grant Compliance – Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The Town expects such amounts, if any, to be immaterial.

Arbitrage – The Town is subject to certain Federal arbitrage laws in accordance with long-term borrowing agreements. Failure to comply with the rules could result in the payment of penalties. The Town expects the amount if any, in these situations, to be immaterial.

## F. Implementation of New GASB Pronouncements

### Current Year Implementations

In November 2010, the GASB issued GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement was to improve financial reporting by addressing issues related to service concession arrangements. The provisions of GASB 60 became effective for the Town in fiscal year 2013 and did not have a material effect on its financial statements.

In November 2010, the GASB issued GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. The objective of this Statement was to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The provisions of GASB 61 became effective for the Town in fiscal year 2013 and did not have a material effect on its financial statements.

In December 2010, the GASB issued GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncement*. The Statement was intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain Financial Accounting Standards Board (“FASB”) and American Institute of Certified Public Accountants (“AICPA”) pronouncements. The provisions of GASB 62 became effective for the Town in fiscal year 2013 and did not have a material effect on its financial statements.

In June 2011, the GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of this Statement was to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*,

introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. The provisions of GASB 63 became effective for the Town in fiscal year 2013 and did not have a material effect on its financial statements.

In June 2011, the GASB issued GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*. The objective of this Statement was to clarify whether an effective hedging relationship continues after the replacement of a swap-counterparty or a swap-counterparty's credit support provider. The provisions of GASB 64 became effective for the Town in fiscal year 2013 and did not have a material effect on its financial statements.

#### Future Year Implementations

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 (fiscal year 2014). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2012, the GASB issued GASB Statement No. 66, *an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 (fiscal year 2014). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2012, the GASB issued GASB Statement No. 67, *Financial Reporting for Pension Plans*. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. This Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013 (fiscal year 2014). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions — an amendment of GASB Statement No. 27*. Statement 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013 (fiscal year 2014). The Town believes the adoption of this statement will have a material impact on the financial statements.

In January 2013, the GASB issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. GASB 69 established accounting and financial reporting standards to government combinations and disposals of government operations. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2013 (fiscal year 2015). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In April 2013, the GASB issued GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of GASB 70 is to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2013 (fiscal year 2014). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

#### **IV. Economic Dependence**

During the year ended June 30, 2013, approximately 26% of revenues of the general fund were recognized from the Commonwealth of Massachusetts as well as the federal government.

At June 30, 2013, the Town applied a tax lien to its largest single real estate tax payer. The amount of this lien approximated \$971,000, which was 53% of the Town's entire tax lien receivables balance at June 30, 2013.

**V. Prior Period Restatement**

The following table illustrates restatements made to the Town's June 30, 2012 net position balances:

	General	High School Construction Project	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
Fund balances at June 30, 2012, as previously reported	\$ 6,795,234	\$ 7,031,835	\$ -	\$ 7,155,612	\$ 20,982,681
Reclassify community preservation to a major fund	-	-	816,303	(816,303)	-
Reclassify agency balances to fiduciary funds	-	-	-	(88,145)	(88,145)
Fund balances at June 30, 2012, as restated	<u>\$ 6,795,234</u>	<u>\$ 7,031,835</u>	<u>\$ 816,303</u>	<u>\$ 6,251,164</u>	<u>\$ 20,894,536</u>

	Governmental Activities	Business-Type Activities	Total
Net position at June 30, 2012, as previously reported	\$ 28,000,319	\$ 14,238,021	\$ 42,238,340
Record intergovernmental receivable from:			
MSBA	8,305,257	-	8,305,257
MWPAT	-	958,930	958,930
Eliminate other assets	(759,885)	-	(759,885)
Record adjustments to deferred revenue	365,241	-	365,241
Record adjustments to capital assets, net	(240,517)	(442,518)	(683,035)
Record accrued interest	-	(145,000)	(145,000)
Reclassify agency balances to fiduciary funds	(88,145)	-	(88,145)
Net position at June 30, 2012, as restated	<u>\$ 35,582,270</u>	<u>\$ 14,609,433</u>	<u>\$ 50,191,703</u>

\* \* \* \* \*

TOWN OF MAYNARD, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2013

SCHEDULES OF FUNDING PROGRESS

Pension System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/2011	\$27,520,532	\$ 38,320,073	\$ 10,799,541	71.8%	\$ 7,715,688	140.0%
1/1/2009	22,280,183	33,912,364	11,632,181	65.7%	7,522,033	154.6%
1/1/2007	23,118,085	30,767,237	7,649,152	75.1%	6,557,847	116.6%

Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
7/1/2012	\$ -	\$ 57,748,120	\$ 57,748,120	0.0%	\$ 16,399,822	352.1%
7/1/2010	-	43,869,595	43,869,595	0.0%	14,633,569	299.8%
7/1/2008	-	25,482,286	25,482,286	0.0%	16,280,935	156.5%

SCHEDULES OF CONTRIBUTION FUNDING

Pension System

Year Ended December 31,	Maynard Contributory Retirement System			Town (B / A)	
	Annual Required Contributions	(A) Actual Contributions	Percentage Contributed	(B) Actual Contribution	Town's Percentage of System Wide Actual Contributions
2012	\$ 1,606,982	\$ 1,606,982	100%	\$ 1,573,982	97.9%
2011	1,578,116	1,578,116	100%	1,536,454	97.4%
2010	1,533,692	1,533,692	100%	1,533,692	100.0%

Other Postemployment Benefits

Year Ended June 30,	Annual Required Contributions	Actual Contributions	Percentage Contributed
2013	\$ 5,883,614	\$ 1,487,002	25.3%
2012	4,381,842	1,428,507	32.6%
2011	2,984,530	865,514	29.0%

See accompanying independent auditor's report.

TOWN OF MAYNARD, MASSACHUSETTS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
<b>Revenues:</b>						
Real Estate and Personal Property	\$ 24,981,042	\$ 24,981,042	\$ 25,211,801	\$ -	\$ 25,211,801	\$ 230,759
Intergovernmental	6,418,303	6,418,303	6,405,526	-	6,405,526	(12,777)
Motor vehicle and other excises	1,017,100	1,017,100	1,100,785	-	1,100,785	83,685
Licenses and Permits	152,300	152,300	206,385	-	206,385	54,085
Departmental and other revenue	536,200	536,200	747,673	-	747,673	211,473
Penalties and Interest	212,900	212,900	211,806	-	211,806	(1,094)
Investment Income	30,000	30,000	290,350	-	290,350	260,350
<b>Total Revenues</b>	<b>33,347,845</b>	<b>33,347,845</b>	<b>34,174,326</b>	<b>-</b>	<b>34,174,326</b>	<b>826,481</b>
<b>Expenditures:</b>						
General government	2,044,507	2,044,507	1,811,735	12,924	1,824,659	219,848
Public safety	4,067,277	4,067,277	4,051,011	169	4,051,180	16,097
Education	15,792,467	15,792,467	15,751,542	-	15,751,542	40,925
Public works	1,865,575	1,865,575	1,727,104	18,118	1,745,222	120,353
Health and human services	407,997	407,997	399,213	610	399,823	8,174
Culture and recreation	535,320	535,320	528,429	-	528,429	6,891
Fringe and pension benefits	6,538,799	6,538,799	6,340,026	85,011	6,425,037	113,762
State and county tax assessments	442,257	442,257	430,128	-	430,128	12,129
Debt service	3,774,815	3,774,815	3,718,857	-	3,718,857	55,958
<b>Total Expenditures</b>	<b>35,469,014</b>	<b>35,469,014</b>	<b>34,758,045</b>	<b>\$ 116,832</b>	<b>34,874,877</b>	<b>594,137</b>
<b>Other Financing Sources (Uses):</b>						
Transfers in	1,385,924	1,385,924	1,385,924	-	1,385,924	-
Transfers out	(3,029,826)	(3,029,826)	(3,029,826)	-	(3,029,826)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(1,643,902)</b>	<b>(1,643,902)</b>	<b>(1,643,902)</b>	<b>-</b>	<b>(1,643,902)</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE</b>						
	<b>(3,765,071)</b>	<b>(3,765,071)</b>	<b>\$ (2,227,621)</b>	<b>-</b>	<b>\$ (2,344,453)</b>	<b>\$ 1,420,618</b>
<b>Other Budgetary Items:</b>						
Prior year encumbrances	834,205	834,205	-	-	-	-
Free cash	2,971,826	2,971,826	-	-	-	-
Debt and interest raised separately	(122,900)	(122,900)	-	-	-	-
Other	81,940	81,940	-	-	-	-
<b>Total Other Budgetary Items</b>	<b>3,765,071</b>	<b>3,765,071</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Budget</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

See accompanying independent auditors' report.  
 See notes to the required supplementary information of this schedule.

**TOWN OF MAYNARD, MASSACHUSETTS**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2013**

**I. Budgetary Basis of Accounting**

*Budgetary Information* – An annual budget is legally adopted for the General Fund. Financial orders are initiated by department heads, recommended by the Board of Selectmen and approved by the Town Meeting members at the Town’s annual meeting in May. Expenditures may not legally exceed appropriations at the department level. Department heads may transfer, without Town meeting approval, appropriation balances from one expenditure account to another within each department. The Town Meeting, however, must approve any transfer of unencumbered appropriation balances between departments. At the close of each fiscal year, unencumbered appropriation balances lapse or reverts to unreserved fund balance.

The Town adopts an annual budget for the general fund in conformity with the guidelines described above. The Town Accountant has the responsibility to ensure that budgetary control is maintained in the manner in which the appropriations were voted at Town Meeting. Budgetary control is exercised through the Town’s accounting system.

*Budgetary-to-GAAP Reconciliation* – The Town’s general fund is prepared on a basis other than GAAP. A reconciliation of the budgetary-basis to GAAP-basis results for the General Fund for the fiscal year ended June 30, 2013, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues on a budgetary basis			\$ 34,174,325
On behalf payments	\$ 3,286,723	\$ -	3,286,723
Revenue recognition - 60 day receivable effect	(185,900)	-	(185,900)
Stabilization interest - GASB 54 impact	-	15,367	15,367
Revenues on a GAAP basis	<u>\$ 3,100,823</u>	<u>\$ 15,367</u>	<u>\$ 37,290,515</u>
Expenditures on a budgetary basis			\$ 34,758,045
Expenditure recognition	\$ (787,023)	\$ -	(787,023)
On behalf payments	3,286,723	-	3,286,723
Expenditures on a GAAP basis	<u>\$ 3,286,723</u>	<u>\$ -</u>	<u>\$ 37,257,745</u>
Net transfers on a budgetary basis			\$ (1,643,902)
Stabilization transfers - GASB 54 impact	\$ -	\$ 931,826	931,826
Unbudgeted from prior year	-	49,000	49,000
Net transfers on a GAAP basis	<u>\$ -</u>	<u>\$ 49,000</u>	<u>\$ (663,076)</u>