

TOWN OF MAYNARD, MASSACHUSETTS

Report on Examination of
Basic Financial Statements
and Additional Information
Year Ended June 30, 2014

TOWN OF MAYNARD, MASSACHUSETTS

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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, 2014, 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, 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, 2014, 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.

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 February 23, 2015 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 and Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
February 23, 2015

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, 2014. 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 and deferred outflows of financial resources exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by approximately \$57.3 million (*total net position*).
- The Town's total net position increased by approximately \$1.9 million or approximately 3.4% year-over-year. This increase was almost entirely due to the 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 activities, reported a minor increase in net position from the prior year as operating results were in line with expectations.
- The Town's total long-term debt in its governmental activities and business-type activities in aggregate decreased by approximately \$2.1 million in 2014. The Town issued nearly \$1.8 million in general obligation bonds in 2014 in its sewer and water enterprise funds. The Town repaid approximately \$3.9 million in long-term debt due to regular scheduled maturities. At June 30, 2014, the Town had \$4.1 million in authorized but unissued debt related to its High School construction project and \$0.3 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 \$13.0 million. This represents a decrease of approximately \$2.8 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 \$4.7 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 \$6.4 million, or nearly 17% percent of total fiscal year 2014 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:

	Governmental activities		Business-type activities		Total	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
<u>Assets</u>						
Current and other assets	\$ 27,102,585	\$ 31,402,288	\$ 7,686,879	\$ 6,184,770	\$ 34,789,464	\$ 37,587,058
Capital assets, net	79,928,262	73,734,049	23,646,929	24,157,076	103,575,191	97,891,125
Total assets	107,030,847	105,136,337	31,333,808	30,341,846	138,364,655	135,478,183
<u>Liabilities</u>						
Long-term liabilities	60,052,976	58,523,029	16,057,347	15,295,206	76,110,323	73,818,235
Other liabilities	4,504,211	6,008,146	435,196	243,382	4,939,407	6,251,528
Total liabilities	64,557,187	64,531,175	16,492,543	15,538,588	81,049,730	80,069,763
<u>Net Position</u>						
Invested in capital assets	45,508,926	38,970,400	8,021,038	9,210,403	53,529,964	48,180,803
Restricted	8,344,287	9,641,301	-	-	8,344,287	9,641,301
Unrestricted	(11,379,553)	(8,006,539)	6,820,227	5,592,855	(4,559,326)	(2,413,684)
Net Position	\$ 42,473,660	\$ 40,605,162	\$ 14,841,265	\$ 14,803,258	\$ 57,314,925	\$ 55,408,420

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

	Governmental activities		Business-type activities		Total	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Revenues						
Program revenues:						
Charges for services	\$ 3,502,186	\$ 3,059,361	\$ 4,257,214	\$ 4,136,756	\$ 7,759,400	\$ 7,196,117
Operating grants and contributions	9,275,425	9,234,740	82,108	108,951	9,357,533	9,343,691
Capital grants and contributions	2,364,596	9,216,696	-	-	2,364,596	9,216,696
General revenues:						
Property taxes	26,736,852	25,613,825	-	-	26,736,852	25,613,825
Intergovernmental	1,409,521	1,281,467	-	-	1,409,521	1,281,467
Other	1,653,856	1,364,165	18,173	11,291	1,672,029	1,375,456
Total revenues	44,942,436	49,770,254	4,357,495	4,256,998	49,299,931	54,027,252
Expenses						
General government	3,035,379	2,868,507	-	-	3,035,379	2,868,507
Public safety	7,614,288	7,414,077	-	-	7,614,288	7,414,077
Education	27,226,331	28,944,998	-	-	27,226,331	28,944,998
Public works	2,642,808	2,290,134	-	-	2,642,808	2,290,134
Health and human services	618,237	606,517	-	-	618,237	606,517
Culture and recreation	1,464,183	1,392,570	-	-	1,464,183	1,392,570
Debt service	1,235,740	1,645,072	-	-	1,235,740	1,645,072
Sewer	-	-	2,292,126	2,009,132	2,292,126	2,009,132
Water	-	-	1,327,678	1,313,584	1,327,678	1,313,584
Total expenses	43,836,966	45,161,875	3,619,804	3,322,716	47,456,770	48,484,591
Change in net position before transfers	1,105,470	4,608,379	737,691	934,282	1,843,161	5,542,661
Transfers	763,028	414,513	(699,684)	(740,457)	63,344	(325,944)
Change in net position	1,868,498	5,022,892	38,007	193,825	1,906,505	5,216,717
Net position, beginning of year	40,605,162	35,582,270	14,803,258	14,609,433	55,408,420	50,191,703
Net position, end of year	\$ 42,473,660	\$ 40,605,162	\$ 14,841,265	\$ 14,803,258	\$ 57,314,925	\$ 55,408,420

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 \$1.9 million or approximately 3.4% year-over-year. This increase was almost entirely due to the 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 business-type activities of sewer and water utility services continue to report healthy, positive operations as revenues from users exceeded expenses.

The largest portion (\$53.5 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 (\$8.3 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 \$4.6 million. Surpluses of over \$6.8 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 an \$18.6 million OPEB obligation at June 30, 2014, which the Town expects to continue to increase for the foreseeable future.

Governmental Activities – Total revenues in fiscal year 2014 in the Town's governmental activities decreased over \$4.8 million, or 9.7%, from fiscal year 2013. This decrease was due primarily to a nearly \$6.8 million decrease 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. As the High School project was approaching its conclusion in 2014, reimbursements from the State decreased significantly. Property taxes, which represent approximately 59% of total fiscal year 2014 revenues, increased over \$1.1 million, or 4.4%, year-over-year. The Town was more aggressive during 2014 with respect to delinquent collection activity. No other revenue sources were greater than 10% of total revenues in fiscal years 2014 or 2013.

Education represents the largest expense category for the Town. In fiscal year 2014 and 2013, education expenses represented approximately 62% and 64% of total expenses in governmental activities, respectively. The Town continues to fund education expenses at well above the minimum state requirements due to unexpected additional special education costs. Public safety expenses represented 17% and 16% of total fiscal year 2014 and 2013 expenses, respectively. No other expense types were greater than 10% of total expenses in fiscal years 2014 or 2013.

Business-Type Activities – User charges for sewer and water services represent over 99% of both fiscal year 2014 and 2013 revenues in the Town's business-type activities. Both the sewer and water enterprises reported minor positive results from operations in fiscal year 2014.

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 \$13.0 million. This represents a decrease of approximately \$2.8 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 \$4.7 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 \$6.4 million, while total general fund

balance reached approximately \$7.5 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 over 16.5% of total general fund expenditures, while total fund balance represents approximately 19.3% of that same amount.

The Town also maintains a major fund to account for its High School construction project. The project began approximately three years ago and, while students began attending the High School in September 2013, the entire project is expected to be completed by the close of fiscal year 2015. A significant portion of this construction project (56.4%) is expected to be financed by the MSBA. Through June 30, 2014, the MSBA reimbursed the Town approximately \$20.1 million. The Town expects to receive an additional \$0.9 million from the MSBA in fiscal year 2015. At June 30, 2014, the High School construction project fund reported a deficit of nearly \$1.8 million, the majority of which was covered by a short-term borrowing.

The Town's community preservation fund, which is also reported as a major fund, remained consistent 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 increased nearly \$0.2 million in fiscal year 2014 to approximately \$6.3 million at June 30, 2014.

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 approximately \$6.6 million and net position of the water fund amounted to approximately \$8.2 million.

Fiduciary Fund – The Town's fiduciary fund is comprised of the Town's Pension trust (a blended component unit), OPEB trust and private purpose trust funds. The Pension trust net position increased almost \$4.3 million due to continued robust market conditions.

General Fund Budgetary Highlights

Differences between the original operating budget and the final amended operating budget were not significant; less than 2% of the original operating budget. The final Town Meeting approved Town Meeting articles that authorized the appropriation of funds to the Stabilization funds and Capital project funds. The aggregate amount of \$1.3 million were transferred from available surplus.

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, 2014, amounts to approximately \$103.6 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 \$5.7 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, 2014, the Town had total debt outstanding of approximately \$55.3 million. Of this amount approximately \$39.7 million represents general obligation bonds of governmental activities and approximately \$15.6 million represents general obligation bonds and notes of business-type activities.

The Town's total long-term debt had a net decrease of approximately \$2.1 million in fiscal year 2014. This was a result of \$1.8 million of new debt being issued for sewer and water projects 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 continues to maintain this rating.

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 4.2% unemployment rate for the Town for June 2014, which is significantly better than the state-wide unemployment rate of 5.5%. Given this key economic metric is trending at pre-recession levels, it indicates a steady, if not growing level of employment for the area.
- The Town's real estate tax base is made up predominantly of residential taxes, which in setting the 2015 tax rate was approximately 83.46% of the entire real estate tax levy. The Town also relies to a moderate degree on its commercial, industrial and personal 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 2015 at the May 2014 Town Meeting. The Town set its fiscal year 2015 tax rate on November 20, 2014

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, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 15,039,973	\$ 3,318,458	\$ 18,358,431
Investments	1,676,999	1,434,706	3,111,705
Receivables, net of allowance for uncollectible accounts:			
Property taxes	1,927,908	-	1,927,908
User fees	-	2,117,397	2,117,397
Departmental and other	352,801	-	352,801
Intergovernmental	8,104,904	816,318	8,921,222
Capital assets not being depreciated	50,504,258	427,185	50,931,443
Capital assets, net of depreciation	29,424,004	23,219,744	52,643,748
Total Assets	107,030,847	31,333,808	138,364,655
DEFERRED OUTFLOWS OF RESOURCES			
	-	-	-
LIABILITIES			
Current liabilities:			
Warrants and accounts payable	1,707,335	297,069	2,004,404
Accrued payroll and related expenses	753,403	-	753,403
Accrued interest expense	515,377	138,127	653,504
Other	7,096	-	7,096
Short-term notes payable	1,521,000	-	1,521,000
Noncurrent liabilities:			
Due in one year or less	3,726,467	1,262,721	4,989,188
Due in more than one year	56,326,509	14,794,626	71,121,135
Total Liabilities	64,557,187	16,492,543	81,049,730
DEFERRED INFLOWS OF RESOURCES			
	-	-	-
NET POSITION			
Invested in capital assets	45,508,926	8,021,038	53,529,964
Restricted for:			
Nonexpendable funds	23,705	-	23,705
Expendable funds	538,836	-	538,836
Capital projects	2,406,170	-	2,406,170
Other	5,375,576	-	5,375,576
Unrestricted	(11,379,553)	6,820,227	(4,559,326)
Total Net Position	\$ 42,473,660	\$ 14,841,265	\$ 57,314,925

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Governmental Activities</u>							
General government	\$ 3,035,379	\$ 941,512	\$ 208,672	\$ 104,691	\$ (1,780,504)		\$ (1,780,504)
Public safety	7,614,288	492,402	33,143	-	(7,088,743)		(7,088,743)
Education	27,226,331	1,377,959	8,893,069	2,259,905	(14,695,398)		(14,695,398)
Public works	2,642,808	344,945	-	-	(2,297,863)		(2,297,863)
Health and human services	618,237	326,686	66,052	-	(225,499)		(225,499)
Culture and recreation	1,464,183	18,682	74,489	-	(1,371,012)		(1,371,012)
Interest expense	1,235,740	-	-	-	(1,235,740)		(1,235,740)
Total Governmental Activities	43,836,966	3,502,186	9,275,425	2,364,596	(28,694,759)		(28,694,759)
<u>Business-Type Activities</u>							
Sewer	2,292,126	2,493,255	6,972	-	-	\$ 208,101	208,101
Water	1,327,678	1,763,959	75,136	-	-	511,417	511,417
Total Primary Government	\$ 47,456,770	\$ 7,759,400	\$ 9,357,533	\$ 2,364,596	(28,694,759)	719,518	(27,975,241)
<u>General Revenues</u>							
					26,736,852	-	26,736,852
					1,409,521	-	1,409,521
					1,342,266	-	1,342,266
					197,969	-	197,969
					113,621	18,173	131,794
					763,028	(699,684)	63,344
					30,563,257	(681,511)	29,881,746
					1,868,498	38,007	1,906,505
					40,605,162	14,803,258	55,408,420
					\$ 42,473,660	\$ 14,841,265	\$ 57,314,925

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014

	General	High School Construction Project	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 8,575,083	\$ 9,853	\$ 940,939	\$ 5,514,098	\$ 15,039,973
Investments	932,950	-	-	744,049	1,676,999
Receivables, net of allowance					
Property taxes	1,925,242	-	2,666	-	1,927,908
Excise taxes and other	294,583	-	-	58,218	352,801
Due from other governments	6,988,897	929,766	-	186,241	8,104,904
Total Assets	<u>18,716,755</u>	<u>939,619</u>	<u>943,605</u>	<u>6,502,606</u>	<u>27,102,585</u>
Deferred Outflows of Resources					
	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 18,716,755</u>	<u>\$ 939,619</u>	<u>\$ 943,605</u>	<u>\$ 6,502,606</u>	<u>\$ 27,102,585</u>
Liabilities					
Warrants and accounts payable	\$ 1,314,331	\$ 249,696	\$ 12,275	\$ 131,033	\$ 1,707,335
Accrued payroll and related expenses	753,403	-	-	-	753,403
Other liabilities	7,096	-	-	-	7,096
Short-term notes payable	-	1,521,000	-	-	1,521,000
Total Liabilities	<u>2,074,830</u>	<u>1,770,696</u>	<u>12,275</u>	<u>131,033</u>	<u>3,988,834</u>
Deferred Inflows of Resources					
Unavailable revenues - property taxes	1,809,077	-	2,666	-	1,811,743
Unavailable revenues - excise taxes and other	294,583	-	-	58,218	352,801
Unavailable revenues - intergovernmental	6,988,897	929,766	-	-	7,918,663
Total deferred inflows of resources	<u>9,092,557</u>	<u>929,766</u>	<u>2,666</u>	<u>58,218</u>	<u>10,083,207</u>
Fund Balances					
Nonspendable	-	-	-	23,705	23,705
Restricted	802,132	-	928,664	3,999,565	5,730,361
Committed	-	-	-	2,290,085	2,290,085
Assigned	300,136	-	-	-	300,136
Unassigned	6,447,100	(1,760,843)	-	-	4,686,257
Total Fund Balances	<u>7,549,368</u>	<u>(1,760,843)</u>	<u>928,664</u>	<u>6,313,355</u>	<u>13,030,544</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 18,716,755</u>	<u>\$ 939,619</u>	<u>\$ 943,605</u>	<u>\$ 6,502,606</u>	<u>\$ 27,102,585</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, 2014

Total Governmental Fund Balances	\$ 13,030,544
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	79,928,262
Other long-term assets are not available to pay for current-period expenditures and are therefore unavailable within the funds.	10,083,207
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(515,377)
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	(39,415,475)
Premium received from issuance of long-term debt	(231,915)
Landfill monitoring	(30,000)
Compensated absences	(1,817,786)
Other postemployment benefits	<u>(18,557,800)</u>
Fund Balances of Governmental Activities	<u><u>\$ 42,473,660</u></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, 2014**

	General	High School Construction Project	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Real estate and personal property taxes, net	\$ 26,891,056	\$ -	\$ 207,447	\$ -	\$ 27,098,503
Intergovernmental	9,969,110	1,100,385	104,691	1,571,707	12,745,893
Motor vehicle and other excises	1,290,979	-	-	-	1,290,979
Departmental and other revenue	957,399	-	-	2,149,194	3,106,593
License and permits	323,250	-	-	-	323,250
Penalties and interest on taxes	197,969	-	-	-	197,969
Fines and forfeitures	75,284	-	-	-	75,284
Investment income	92,038	-	1,929	19,654	113,621
Contributions and donations	-	-	-	41,790	41,790
Total Revenues	<u>39,797,085</u>	<u>1,100,385</u>	<u>314,067</u>	<u>3,782,345</u>	<u>44,993,882</u>
Expenditures					
Current:					
General government	1,820,641	-	-	317,864	2,138,505
Public safety	4,316,057	-	-	201,132	4,517,189
Education	15,471,390	5,498,450	-	2,443,332	23,413,172
Public works	2,058,222	-	-	534,275	2,592,497
Health and human services	423,625	-	5,565	9,867	439,057
Culture and recreation	519,745	-	305,794	212,108	1,037,647
Pensions and other fringe benefits	9,918,736	-	-	-	9,918,736
State and county tax assessments	435,625	-	-	-	435,625
Debt service:					
Principal	2,750,285	-	-	-	2,750,285
Interest	1,289,882	-	-	-	1,289,882
Total Expenditures	<u>39,004,208</u>	<u>5,498,450</u>	<u>311,359</u>	<u>3,718,578</u>	<u>48,532,595</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>792,877</u>	<u>(4,398,065)</u>	<u>2,708</u>	<u>63,767</u>	<u>(3,538,713)</u>
Other Financing Sources (Uses):					
Transfers in	1,078,563	-	-	592,244	1,670,807
Transfers out	(487,000)	-	(10,000)	(410,779)	(907,779)
Total Other Financing Sources (Uses)	<u>591,563</u>	<u>-</u>	<u>(10,000)</u>	<u>181,465</u>	<u>763,028</u>
Net Change in Fund Balances	1,384,440	(4,398,065)	(7,292)	245,232	(2,775,685)
Fund Balances - Beginning of year	<u>6,164,928</u>	<u>2,637,222</u>	<u>935,956</u>	<u>6,068,123</u>	<u>15,806,229</u>
Fund Balances - End of year	<u>\$ 7,549,368</u>	<u>\$ (1,760,843)</u>	<u>\$ 928,664</u>	<u>\$ 6,313,355</u>	<u>\$ 13,030,544</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, 2014**

Net Change in Fund Balances - Total Governmental Fund Balances **\$ (2,775,685)**

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	\$ 7,712,568	
Depreciation expense	(1,518,355)	
Net effect of reporting fixed assets		6,194,213

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 position. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the Statement of Activities. The amount presented here as a reconciling item represents repayments on long-term debt in fiscal year

Repayments on long-term debt	2,750,285	
Amortization of premium received from issuance of long-term debt	22,778	
Net effect of reporting long-term debt		2,773,063

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.

31,364

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 unavailable revenue.

(51,446)

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	103,213	
Other postemployment benefits	(4,436,224)	
Net effect of reporting long-term liabilities		(4,303,011)

Net Change in Fund Balances of Governmental Activities **\$ 1,868,498**

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2014**

	Business-Type Activities - Enterprise Funds		
	Sewer	Water	Totals
Assets			
Current assets:			
Cash and cash equivalents	\$ 970,557	\$ 2,347,901	\$ 3,318,458
Investments	849,100	585,606	1,434,706
User charges receivable	1,238,898	878,499	2,117,397
Due from other governments	47,273	71,504	118,777
Total current assets	3,105,828	3,883,510	6,989,338
Noncurrent assets:			
Due from other governments	-	697,541	697,541
Capital assets, net of accumulated depreciation	14,872,419	8,774,510	23,646,929
Total noncurrent assets	14,872,419	9,472,051	24,344,470
Total Assets	17,978,247	13,355,561	31,333,808
Liabilities			
Current liabilities:			
Warrants payable and other liabilities	254,548	42,521	297,069
Accrued interest expense	105,653	32,474	138,127
Bond and note indebtedness	609,359	627,000	1,236,359
Compensated absences	11,102	15,260	26,362
Total current liabilities	980,662	717,255	1,697,917
Noncurrent liabilities:			
Bond and note indebtedness	10,200,432	4,189,100	14,389,532
Compensated absences	11,103	15,261	26,364
Other postemployment benefits	189,365	189,365	378,730
Total noncurrent liabilities	10,400,900	4,393,726	14,794,626
Total Liabilities	11,381,562	5,110,981	16,492,543
Net Position			
Invested in capital assets	4,062,628	3,958,410	8,021,038
Unrestricted	2,534,057	4,286,170	6,820,227
Total Net Position	\$ 6,596,685	\$ 8,244,580	\$ 14,841,265

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, 2014**

	Business-Type Activities - Enterprise Funds		
	Sewer	Water	Totals
Operating Revenues			
User charges	\$ 2,490,814	\$ 1,763,959	\$ 4,254,773
Other revenues	2,441	-	2,441
Total Operating Revenues	<u>2,493,255</u>	<u>1,763,959</u>	<u>4,257,214</u>
Operating Expenses			
Operating costs	1,450,548	797,915	2,248,463
Depreciation	589,370	411,826	1,001,196
Total Operating Expenses	<u>2,039,918</u>	<u>1,209,741</u>	<u>3,249,659</u>
Total Operating Income	<u>453,337</u>	<u>554,218</u>	<u>1,007,555</u>
Nonoperating Income (Expenses)			
Intergovernmental revenues	6,972	75,136	82,108
Interest income	9,650	8,523	18,173
Interest expense	<u>(252,208)</u>	<u>(117,937)</u>	<u>(370,145)</u>
Total Nonoperating Revenues (Expenses), net	<u>(235,586)</u>	<u>(34,278)</u>	<u>(269,864)</u>
Income Before Transfers	217,751	519,940	737,691
Transfers out	<u>(448,770)</u>	<u>(250,914)</u>	<u>(699,684)</u>
Change in Net Position	(231,019)	269,026	38,007
Net Position - Beginning of year	<u>6,827,704</u>	<u>7,975,554</u>	<u>14,803,258</u>
Net Position - End of year	<u>\$ 6,596,685</u>	<u>\$ 8,244,580</u>	<u>\$ 14,841,265</u>

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014**

	Business-Type Activities - Enterprise Funds		
	Sewer	Water	Totals
Cash Flows from Operating Activities			
Receipts from users	\$ 2,582,838	\$ 1,809,927	\$ 4,392,765
Payments to employees	(93,114)	(150,983)	(244,097)
Payments to vendors	(1,142,644)	(588,666)	(1,731,310)
Net Cash Provided by Operating Activities	<u>1,347,080</u>	<u>1,070,278</u>	<u>2,417,358</u>
Cash Flows from Noncapital Related Financing Activities			
Transfers, net	(448,770)	(250,914)	(699,684)
Net Cash Used for Noncapital Related Financing Activities	<u>(448,770)</u>	<u>(250,914)</u>	<u>(699,684)</u>
Cash Flows from Capital and Related Financing Activities			
Grant received from Commonwealth	17,776	141,874	159,650
Acquisition and construction of capital assets	(456,935)	(34,114)	(491,049)
Borrowings of long-term debt	498,000	1,300,000	1,798,000
Principal payments on bonds	(601,982)	(516,800)	(1,118,782)
Interest paid	(254,369)	(114,095)	(368,464)
Net Cash (Used for) Provided by Capital and Related Financing Activities	<u>(797,510)</u>	<u>776,865</u>	<u>(20,645)</u>
Net Change in Cash and Cash Equivalents	100,800	1,596,229	1,697,029
Cash and Cash Equivalents			
Beginning of year	869,757	751,672	1,621,429
End of year	<u>\$ 970,557</u>	<u>\$ 2,347,901</u>	<u>\$ 3,318,458</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:			
Operating income	\$ 453,337	\$ 554,218	\$ 1,007,555
Depreciation	589,370	411,826	1,001,196
Changes in assets and liabilities:			
Receivables	89,583	45,968	135,551
Warrants payable and accrued expenses	214,790	58,266	273,056
Net Cash Provided by Operating Activities	<u>\$ 1,347,080</u>	<u>\$ 1,070,278</u>	<u>\$ 2,417,358</u>

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014

	Pension Trust Fund (December 31, 2013)	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds	Agency Funds
Assets				
Cash and cash equivalents	\$ 467,021	\$ 1,042	\$ -	\$ 379,126
Investments, at fair value	33,304,219	206,545	1,496,835	-
Receivables:				
Employee contributions and other receivables	42,475	-	-	1,285
Public safety details	-	-	-	26,701
Total receivables	<u>42,475</u>	<u>-</u>	<u>-</u>	<u>27,986</u>
Total Assets	<u>33,813,715</u>	<u>207,587</u>	<u>1,496,835</u>	<u>407,112</u>
Liabilities				
Accounts payable and accrued expenses	172,278	-	-	7,349
Planning board deposits	-	-	-	335,050
Student activities	-	-	-	61,092
Other	-	-	-	3,621
Total Liabilities	<u>172,278</u>	<u>-</u>	<u>-</u>	<u>407,112</u>
Net Position Held in Trust for				
Pension benefits	33,641,437	-	-	-
Other postemployment benefits	-	207,587	-	-
Public assistance and scholarships	-	-	1,496,835	-
Total Net Position	<u>\$ 33,641,437</u>	<u>\$ 207,587</u>	<u>\$ 1,496,835</u>	<u>\$ -</u>

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2014**

	Pension Trust Fund (December 31, 2013)	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
Additions			
Contributions:			
Employer	\$ 1,752,903	\$ -	\$ -
Employee	808,096	-	-
Commonwealth of Massachusetts	22,278	-	-
Transfers from other systems	109,083	-	-
Reimbursements from other systems	101,286	-	-
Other contributions and donations	2,251	100,000	3,701
Total contributions	<u>2,795,897</u>	<u>100,000</u>	<u>3,701</u>
Investment income:			
Interest and dividends	341,243	4,435	-
Net realized and unrealized gains	4,670,433	-	-
Less: investment management fees	(141,775)	-	-
Net investment earnings	<u>4,869,901</u>	<u>4,435</u>	<u>-</u>
Total Additions	<u>7,665,798</u>	<u>104,435</u>	<u>3,701</u>
Deductions			
Benefit payments to retirees and beneficiaries	2,526,372	-	-
Refunds to members	177,174	-	-
Transfers to other systems	423,028	-	-
Reimbursements to other systems	158,335	-	-
Operations payroll expenditures	37,952	-	-
Other administrative expenses	48,089	-	-
Total Deductions	<u>3,370,950</u>	<u>-</u>	<u>-</u>
Transfers out	<u>-</u>	<u>-</u>	<u>(63,344)</u>
Change in Net Position	4,294,848	104,435	(59,643)
Net Position - Beginning of year	<u>29,346,589</u>	<u>103,152</u>	<u>1,556,478</u>
Net Position - End of year	<u>\$ 33,641,437</u>	<u>\$ 207,587</u>	<u>\$ 1,496,835</u>

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, 2014

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 Maynard Contributory Retirement System (the “Retirement System”) is a component unit of the Town. The Retirement System was established to provide benefits to Town employees and employees of the Maynard Housing Authority. While legally separate, the Retirement System provides services almost entirely to the Town and is presented as if it were part of the primary government through a method of inclusion known as blending. The Retirement System is reported as a pension trust in the fiduciary fund financial statements. Complete financial statements of the Retirement System as of December 31, 2013 were issued and are available at the retirement office located in Town Hall, 195 Main Street, Maynard, Massachusetts 01754.

B. Government-Wide and Fund 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. The Town expects to complete this construction in fiscal year 2015.

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

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	-	-	-	538,836	538,836
Community preservation	-	-	928,664	-	928,664
Debt service reserve	802,132	-	-	-	802,132
Capital projects	-	-	-	116,085	116,085
Federal and state grants	-	-	-	1,007,438	1,007,438
Revolving funds	-	-	-	2,337,206	2,337,206
Committed:					
General government	-	-	-	106,028	106,028
Public safety	-	-	-	410,010	410,010
Education	-	-	-	1,165,606	1,165,606
Public works	-	-	-	578,566	578,566
Health and human services	-	-	-	29,875	29,875
Assigned:					
General government	83,996	-	-	-	83,996
Public safety	9,906	-	-	-	9,906
Education	8,400	-	-	-	8,400
Public works	125,949	-	-	-	125,949
Health and human services	6,826	-	-	-	6,826
Culture and recreation	2,900	-	-	-	2,900
Pension and other fringe benefits	62,159	-	-	-	62,159
Unassigned:					
Unrestricted	2,918,778	(1,760,843)	-	-	1,157,935
General stabilization	1,866,036	-	-	-	1,866,036
Capital stabilization	1,662,286	-	-	-	1,662,286
Totals	\$ 7,549,368	\$ (1,760,843)	\$ 928,664	\$ 6,313,355	\$ 13,030,544

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 \$1,866,036 at June 30, 2014 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 \$1,662,286 at June 30, 2014 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 \$300,135 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, 2014, the Town incurred snow and ice removal costs in excess of its appropriation. These over expenditures will be funded through available funds during fiscal year 2015.

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

Town 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, \$4,069,673 in Town bank deposits were not insured by the Federal Deposit Insurance Corporation (“FDIC”), 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 \$162,007 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 \$1,080,649 is exposed to custodial credit risk because the related securities are uninsured, unregistered and are held by a counterparty.

Interest Rate Risk: Deposits – This is the risk that fair value losses may arise due to increasing interest rates. The Town does not have formal investment policies that limit investment maturities as a way of managing its exposure to fair value losses arising from rising interest rates.

Interest Rate Risk: Investments – Debt securities are subject to interest rate risk. Debt securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of individual debt instruments. The Town does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk – The Town 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, 2014, 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	\$ 922,697	\$ 50,275	\$ 872,422	\$ -
Government securities	2,649,732	-	2,649,732	-
	3,572,429	\$ 50,275	\$ 3,522,154	\$ -
<u>Investments Not Subject to Maturity Classification:</u>				
Pooled investments - State Treasurer's Fund	162,007			
Mutual fund	1,080,649			
Total Town Investments	\$ 4,815,085			

Of the Town’s investments in corporate fixed income, \$396,959 was rated by Moody’s Investors Service (“Moody’s”) as A1, \$124,813 was rated A2 and \$400,925 was rated as Baa1. All of the Town’s government securities were rated Aaa by Moody’s.

Retirement System Deposits and Investments

Massachusetts General Laws Chapter 32 and the Public Employee Retirement Administration Commission (“PERAC”) regulations require the Retirement System 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, certain corporate bonds and equities and investment pools.

Custodial Credit Risk: Deposits – The System’s policy for custodial credit risk of deposits is to rely on FDIC insurance coverage for the first \$250,000 of deposits held at each financial institution. At December 31, 2013, the System had bank deposits of \$454,390 exposed to custodial credit risk because it was uninsured by the FDIC.

Custodial Credit Risk: Investments – The System’s policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the System. At December 31, 2013, the System was not exposed to custodial credit risk on its investments.

Interest Rate Risk: Deposits – The Retirement System does not have formal investment policies that limit investment maturities as a way of managing its exposure to fair value losses arising from rising interest rates.

Interest Rate Risk: Investments – Debt securities are subject to interest rate risk. Debt securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of individual debt instruments. The Retirement System does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk – At December 31, 2013, approximately 22.2% and 6.7% of the Retirement System’s investments was held in the PRIT Fixed Income Fund and PRIT Emerging Markets Fund, respectively. No other Retirement System investment represented more than 5% of the Retirement System’s total investments at December 31, 2013.

None of the Retirement System’s investments were subject to credit quality ratings from leading credit rating agencies. At December 31, 2013, uninsured short-term investment funds with fair values of \$454,390 were reported as cash equivalents. These funds represent temporary holdings of excess cash resources. The Retirement System intends to reinvest these amounts in less than one year. Accordingly, the fair values of these amounts have been classified as cash equivalents in these financial statements.

Credit Risk: Investments – In the case of investments, there is the risk that in the event of an invested party will be unable to fulfill its obligations, such as to provide required payments to investors, to meet current or future performance expectations, to abide by industry regulations and proper operational practices, ceasing to exist, or filing for bankruptcy. In those instances, the Retirement System may not be able to recover the full amount of its principal investment and/or investment earnings. As previously noted, PERAC and Massachusetts statutory regulations have been enacted to reduce this risk. In evaluating its credit risk, the Retirement System relies on credit ratings assigned by leading credit rating agencies. The Retirement System does voluntarily self-impose certain investment restrictions; however, those can be changed at the Board’s discretion. The Retirement System does maintain a significant portion (approximately 98%) of its monetary assets as investment holdings.

B. Receivables

Receivables as of June 30, 2014 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	\$ 30,071	\$ -	\$ 2,666	\$ -	\$ 32,737
Real estate taxes	303,093	-	-	-	303,093
Tax liens	1,592,078	-	-	-	1,592,078
Excise taxes	294,583	-	-	-	294,583
Ambulance and other	-	-	-	58,218	58,218
Intergovernmental - MSBA	6,988,897	929,766	-	-	7,918,663
Intergovernmental - other	-	-	-	186,241	186,241
	<u>\$ 9,208,722</u>	<u>\$ 929,766</u>	<u>\$ 2,666</u>	<u>\$ 244,459</u>	<u>\$ 10,385,613</u>

The Town did not record any allowances for uncollectible accounts as of June 30, 2014 in its governmental funds.

Receivables in the Town's proprietary funds were comprised of user charges and intergovernmental receivables. The Town did not record any allowances for uncollectible accounts as of June 30, 2014 in its proprietary funds.

Governmental funds report unavailable revenues 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 unavailable revenues at June 30, 2014 in the governmental funds:

	General	High School Construction Project	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
Personal property taxes	\$ 29,748	\$ -	\$ 2,666	\$ -	\$ 32,414
Real estate taxes	187,251	-	-	-	187,251
Tax liens	1,592,078	-	-	-	1,592,078
Excise taxes	294,583	-	-	-	294,583
Ambulance and other	-	-	-	58,218	58,218
Intergovernmental - MSBA	6,988,897	929,766	-	-	7,918,663
	<u>\$ 9,092,557</u>	<u>\$ 929,766</u>	<u>\$ 2,666</u>	<u>\$ 58,218</u>	<u>\$ 10,083,207</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 \$6,988,897 at June 30, 2014 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 \$929,766 at June 30, 2014 in its High School construction project fund, which represents funds the Town is eligible to receive from the MSBA at June 30, 2014 based on construction cost submissions it made to the MSBA through June 30, 2014.

MWPAT Loan Subsidies – The Town has entered into several loan agreements with the Massachusetts Water Pollution Abatement Trust (“MWPAT”). The Town recorded \$47,273 and \$769,044 as receivables in its sewer and water enterprise funds, respectively, at June 30, 2014. 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 \$4,941, \$18,792 and \$334,311 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, 2014 was as follows:

<u>Governmental Activities</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 4,450,569	\$ -	\$ -	\$ 4,450,569
Construction in-process	39,005,739	7,047,950	-	46,053,689
Total capital assets not being depreciated	43,456,308	7,047,950	-	50,504,258
Capital assets being depreciated:				
Infrastructure	6,425,377	307,315	-	6,732,692
Buildings and improvements	41,646,721	-	-	41,646,721
Vehicles	1,214,807	201,761	(31,950)	1,384,618
Machinery and equipment	1,955,298	155,542	-	2,110,840
Total capital assets being depreciated	51,242,203	664,618	(31,950)	51,874,871
Less accumulated depreciation	(20,964,462)	(1,518,355)	31,950	(22,450,867)
Total capital assets being depreciated, net	30,277,741	(853,737)	-	29,424,004
Capital assets, net	\$ 73,734,049	\$ 6,194,213	\$ -	\$ 79,928,262

Depreciation expense was charged to functions/programs as follows:

General government	\$ 59,038
Public safety	236,431
Education	935,667
Public works	172,268
Culture and recreation	114,951
	<u>\$ 1,518,355</u>

<u>Business-Type Activities - Sewer</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in-process	\$ -	\$ 427,185	\$ -	\$ 427,185
Total capital assets not being depreciated	-	427,185	-	427,185
Capital assets being depreciated:				
Infrastructure	20,655,477	-	-	20,655,477
Vehicles	42,001	-	-	42,001
Machinery and equipment	764,090	29,750	-	793,840
Total capital assets being depreciated	21,461,568	29,750	-	21,491,318
Less accumulated depreciation	(6,456,714)	(589,370)	-	(7,046,084)
Capital assets, net	\$ 15,004,854	\$ (132,435)	\$ -	\$ 14,872,419

<u>Business-Type Activities - Water</u>	<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	<u>1,146,121</u>	<u>34,115</u>	<u>-</u>	<u>1,180,236</u>
Total capital assets being depreciated	<u>14,436,864</u>	<u>34,115</u>	<u>-</u>	<u>14,470,979</u>
Less accumulated depreciation	<u>(5,284,642)</u>	<u>(411,827)</u>	<u>-</u>	<u>(5,696,469)</u>
Capital assets, net	<u>\$ 9,152,222</u>	<u>\$ (377,712)</u>	<u>\$ -</u>	<u>\$ 8,774,510</u>
Depreciation expense was charged to functions/programs as follows:				
Sewer	\$ 589,370			
Water	<u>411,827</u>			
	<u>\$ 1,001,197</u>			

D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2014 are summarized as follows:

<u>Transfers Out</u>	<u>Transfers In</u>		<u>Total</u>	
	<u>General Fund</u>	<u>Nonmajor Funds</u>		
General fund	\$ -	\$ 487,000	\$ 487,000	(1)
Community preservation fund	-	10,000	10,000	(2)
Nonmajor governmental funds	378,879	31,900	410,779	(3)
Private purpose trust funds	-	63,344	63,344	(4)
Sewer enterprise	448,770	-	448,770	(5)
Water enterprise	<u>250,914</u>	<u>-</u>	<u>250,914</u>	(5)
	<u>\$ 1,078,563</u>	<u>\$ 592,244</u>	<u>\$ 1,670,807</u>	

- (1) General fund transfers of \$487,000 to capital projects.
- (2) Community preservation transfer to conservation trust.
- (3) Special revenue transfers to the general funds of \$345,000 for ambulance receipts; \$33,879 to close out old revolving funds; and \$31,900 to cemetery trust funds.
- (4) Transfer between non-expendable to expendable trusts.
- (5) 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 2014 was as follows:

Type	Interest Rate	Maturity Date	Balance July 1, 2013	Additions	Retirements	Rollovers	Balance June 30, 2014
BAN	75.00%	3/6/15	\$ -	\$ 1,521,000	\$ -	\$ -	\$ 1,521,000

The Town issued these short-term notes to finance its High School construction project.

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, 2014:

Description of Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
<i>Governmental Activities:</i>					
General obligation bonds and notes payable	\$ 42,165,760	\$ -	\$ (2,750,285)	\$ 39,415,475	\$ 2,764,705
Premium on bonds payable	254,694	-	(22,779)	231,915	22,869
Landfill monitoring	60,000	-	(30,000)	30,000	30,000
Compensated absences	1,920,999	-	(103,213)	1,817,786	908,893
Other postemployment benefits, net	14,121,576	6,052,125	(1,615,901)	18,557,800	-
Total Governmental Activities	\$ 58,523,029	\$ 6,052,125	\$ (4,522,178)	\$ 60,052,976	\$ 3,726,467
<i>Business-Type Activities:</i>					
General obligation bonds and notes payable	\$ 14,946,673	\$ 1,798,000	\$ (1,118,782)	\$ 15,625,891	\$ 1,236,359
Compensated absences	60,338	-	(7,612)	52,726	26,362
Other postemployment benefits, net	288,195	123,513	(32,978)	378,730	-
Total Business-Type Activities	\$ 15,295,206	\$ 1,921,513	\$ (1,159,372)	\$ 16,057,347	\$ 1,262,721

General obligation bonds and notes outstanding at June 30, 2014 were as follows:

Description	Interest Rate	Outstanding at June 30, 2013	Additions	Maturities and Retirements	Outstanding at June 30, 2014
<i>Governmental Activities:</i>					
General obligation bonds	1.04 - 4.17%	\$ 42,131,310	\$ -	\$ (2,745,300)	\$ 39,386,010
MWPAT note	0.00%	34,450	-	(4,985)	29,465
		<u>42,165,760</u>	<u>-</u>	<u>(2,750,285)</u>	<u>39,415,475</u>
Unamortized premiums on February 2013 bonds		254,694	-	(22,779)	231,915
Total Governmental Activities		<u>\$ 42,420,454</u>	<u>\$ -</u>	<u>\$ (2,773,064)</u>	<u>\$ 39,647,390</u>
<i>Business-Type Activities:</i>					
General obligation bonds	2.16 - 4.76%	\$ 2,943,690	\$ 1,798,000	\$ (449,700)	\$ 4,291,990
MWPAT notes	0.00 - 5.50%	12,002,983	-	(669,082)	11,333,901
		<u>14,946,673</u>	<u>1,798,000</u>	<u>(1,118,782)</u>	<u>15,625,891</u>
Total Business-Type Activities		<u>\$ 14,946,673</u>	<u>\$ 1,798,000</u>	<u>\$ (1,118,782)</u>	<u>\$ 15,625,891</u>

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

Year Ending June 30,	Governmental Activities						
	Principal			Interest			Total
	Gross	Subsidized	Net	Gross	Subsidized	Net	
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	2,737,896	-	2,737,896	941,020	(392)	940,628	3,678,524
2020 - 2024	12,901,646	-	12,901,646	3,107,041	(135)	3,106,907	16,008,553
2025 - 2029	8,090,000	-	8,090,000	1,299,689	-	1,299,689	9,389,689
2030 - 2033	4,640,000	-	4,640,000	287,964	-	287,964	4,927,964
Total	<u>\$ 39,415,475</u>	<u>\$ -</u>	<u>\$ 39,415,475</u>	<u>\$ 10,383,980</u>	<u>\$ (4,941)</u>	<u>\$ 10,379,039</u>	<u>\$ 49,794,514</u>
Business-Type Activities: Sewer							
Year Ending June 30,	Principal			Interest			Total
	Gross	Subsidized	Net	Gross	Subsidized	Net	
2015	\$ 609,359	\$ (10,844)	\$ 598,514	\$ 254,832	\$ (6,144)	\$ 248,688	\$ 858,047
2016	620,859	(11,015)	609,843	238,600	(5,036)	233,564	854,423
2017	629,894	(11,183)	618,711	221,825	(3,913)	217,912	847,806
2018	607,882	(3,102)	604,780	204,528	(1,798)	202,730	810,613
2019	606,230	(3,403)	602,828	188,365	(1,084)	187,281	793,511
2020 - 2024	3,014,940	(7,726)	3,007,213	706,056	(818)	705,238	3,720,178
2025 - 2029	2,927,652	-	2,927,652	358,858	-	358,858	3,286,510
2030 - 2034	1,792,976	-	1,792,976	70,386	-	70,386	1,863,362
Total	<u>\$ 10,809,791</u>	<u>\$ (47,273)</u>	<u>\$ 10,762,518</u>	<u>\$ 2,243,449</u>	<u>\$ (18,792)</u>	<u>\$ 2,224,657</u>	<u>\$ 13,034,449</u>

Year Ending June 30,	Business-Type Activities: Water						
	Principal			Interest			Total
	Gross	Subsidized	Net	Gross	Subsidized	Net	
2015	\$ 627,000	\$ (71,504)	\$ 555,496	\$ 181,010	\$ (65,588)	\$ 115,422	\$ 742,422
2016	527,200	(75,461)	451,739	154,083	(57,801)	96,282	623,482
2017	541,500	(80,124)	461,376	129,619	(48,466)	81,153	622,653
2018	550,400	(81,850)	468,550	110,273	(44,666)	65,607	616,007
2019	470,000	(81,477)	388,523	97,509	(45,156)	52,354	522,354
2020 - 2024	2,100,000	(378,627)	1,721,373	171,608	(72,634)	98,974	2,198,974
Total	<u>\$ 4,816,100</u>	<u>\$ (769,045)</u>	<u>\$ 4,047,055</u>	<u>\$ 844,103</u>	<u>\$ (334,311)</u>	<u>\$ 509,793</u>	<u>\$ 5,325,893</u>

The following table includes authorized but unissued debt at June 30, 2014:

High School construction project	\$ 4,130,222
Waste water treatment plant	250,000
Land acquisition	<u>63,000</u>
	<u>\$ 4,443,222</u>

III. Other Information

A. Retirement System

Retirement System Description – The Town contributes to 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, 2013 were issued and are 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, 2013, was approximately \$7.9 million.

Membership – Current membership in the Retirement System as of December 31, 2013, is as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	103
Active/inactive employees	<u>258</u>
Total	<u>361</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 an eighteen-year period. Currently, the Town’s funding schedule is calculated to fully fund the accrued liability by June 30, 2032.

The funded status of the Retirement System at January 1, 2013, the most recent valuation date, is:

Actuarial value of assets	\$ 28,225,657
Actuarial accrued liability (“AAL”)	43,836,068
Unfunded actuarial accrued liability (“UAAL”)	15,610,411
Funded ratio (actuarial value of plan assets / AAL)	64%
Covered payroll (annually payroll of active employees covered by the plan)	7,932,121
UAAL as a percentage of covered payroll	197%

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
2013	\$ 1,693,084	100 %	\$ —
2012	1,606,982	100 %	\$ —
2011	1,578,116	100 %	\$ —

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

Valuation date:	January 1, 2013
Actuarial cost method	Entry age normal
Amortization method	6.0% increasing
Asset valuation method	Actuarial; 5 year smoothing
Investment rate of return	7.75%
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 \$3,388,603 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	\$ 14,409,771
Annual required contribution	6,175,638
Contributions made	<u>(1,648,879)</u>
OPEB obligation at end of year	<u>\$ 18,936,530</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	\$ 6,175,638	26.7%	\$ 18,936,530
June 30, 2013	5,883,614	25.5%	14,409,771
June 30, 2012	4,381,842	30.0%	10,013,159

The fiscal year 2014 AOPEBC was charged to the following functional programs: general government \$326,373; public safety \$1,262,303; education \$4,084,529; public works \$167,770; health and human services \$76,267; culture and recreation \$134,882; sewer \$61,757; and water \$61,757.

Funding Status and Funding Progress – The funded status of the Plan at June 30, 2014 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, 2014, 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, 2014.

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 \$0.4 million at June 30, 2014.

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 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 became effective in fiscal year 2014 and did not have a material effect on the Town.

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 was 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 became effective in fiscal year 2014 and did not have a material effect on the Town.

Future Year Implementations

In June 2012, the GASB issued GASB Statement No. 67, *Financial Reporting for Pension Plans*. This Statement replaced 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 built 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 will become effective for the Retirement System for the fiscal year ended December 31, 2014 the impact of which will affect the Town in fiscal year 2015 through the implementation of GASB 68 see below.

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 replaced the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they related to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 required 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 enhanced accountability and transparency through revised and new note disclosures and required supplementary information. The GASB issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, in November 2013 to amend certain provisions regarding the application of transition provisions of Statement No. 68. The provisions of these Statements will become effective in fiscal year 2015 and are expected to 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 2015). 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, 2014, approximately 25% of revenues of the general fund were recognized from the Commonwealth of Massachusetts as well as the federal government.

At June 30, 2014, the Town applied a tax lien to its largest single real estate tax payer. The amount of this lien approximated \$906,000, which was 61% of the Town's entire tax lien receivables balance at June 30, 2014.

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TOWN OF MAYNARD, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014**

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)
1/1/2013	\$28,225,657	\$ 43,836,068	\$ 15,610,411	64%	\$ 7,932,121	197%
1/1/2011	27,520,532	38,320,073	10,799,541	72%	7,715,688	140%
1/1/2009	22,280,183	33,912,364	11,632,181	66%	7,522,033	155%

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%	\$ 16,399,822	352%
7/1/2010	-	43,869,595	43,869,595	0%	14,633,569	300%
7/1/2008	-	25,482,286	25,482,286	0%	16,280,935	157%

SCHEDULES OF CONTRIBUTION FUNDING

Pension System

Year Ended December 31,	Maynard Contributory Retirement System			Town	
	Annual Required Contributions	Actual Contributions (a)	Percentage Contributed	Actual Contribution (b)	Town's Percentage of System Wide Actual Contributions (b/a)
2013	\$ 1,739,708	\$ 1,739,708	100%	\$ 1,706,279	98%
2012	1,656,341	1,656,341	100%	1,606,982	97%
2011	1,578,116	1,578,116	100%	1,536,454	97%

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, 2014

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
Revenues:						
Real Estate and Personal Property	\$ 26,090,230	\$ 26,090,230	\$ 26,857,622	\$ -	\$ 26,857,622	\$ 767,392
Intergovernmental	6,439,498	6,439,498	6,580,507	-	6,580,507	141,009
Motor vehicle and other excises	1,109,859	1,109,859	1,290,979	-	1,290,979	181,120
Licenses and Permits	190,000	190,000	323,250	-	323,250	133,250
Departmental and other revenue	440,000	440,000	957,399	-	957,399	517,399
Penalties and Interest	290,000	290,000	273,253	-	273,253	(16,747)
Investment Income	35,000	35,000	62,552	-	62,552	27,552
Total Revenues	<u>34,594,587</u>	<u>34,594,587</u>	<u>36,345,562</u>	<u>-</u>	<u>36,345,562</u>	<u>1,750,975</u>
Expenditures:						
General government	2,200,067	2,095,067	1,820,638	20,677	1,841,315	253,752
Public safety	4,372,855	4,372,855	4,316,057	-	4,316,057	56,798
Education	15,625,640	15,625,640	15,471,390	-	15,471,390	154,250
Public works	1,548,728	2,130,655	2,058,222	1,200	2,059,422	71,233
Health and human services	445,845	445,845	423,625	467	424,092	21,753
Culture and recreation	519,595	519,595	519,745	-	519,745	(150)
Fringe and pension benefits	6,528,105	6,528,105	6,430,133	65,159	6,495,292	32,813
State and county tax assessments	458,878	458,878	435,625	-	435,625	23,253
Debt service	4,137,822	4,137,822	4,040,167	-	4,040,167	97,655
Total Expenditures	<u>35,837,535</u>	<u>36,314,462</u>	<u>35,515,602</u>	<u>\$ 87,503</u>	<u>35,603,105</u>	<u>711,357</u>
Other Financing Sources (Uses):						
Transfers in	1,044,684	1,044,684	1,044,684	-	1,044,684	-
Transfers out	-	(1,307,669)	(1,307,669)	-	(1,307,669)	-
Total Other Financing Sources (Uses)	<u>1,044,684</u>	<u>(262,985)</u>	<u>(262,985)</u>		<u>(262,985)</u>	<u>-</u>
(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE						
	<u>(198,264)</u>	<u>(1,982,860)</u>	<u>\$ 566,975</u>		<u>\$ 479,472</u>	<u>\$ 2,462,332</u>
Other Budgetary Items:						
Prior year encumbrances	116,832	116,832				
Free cash transfers	-	1,693,596				
Overlay reserve transfers	-	91,000				
Amortized from bond premium	79,249	79,249				
Other	2,183	2,183				
Total Other Budgetary Items	<u>198,264</u>	<u>1,982,860</u>				
Net Budget	<u>\$ -</u>	<u>\$ -</u>				

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, 2014**

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, 2014, is as follows:

	<u>Basis of Accounting Differences</u>	<u>Fund Perspective Differences</u>	<u>Total</u>
Revenues on a budgetary basis			\$ 36,348,561
On behalf payments	\$ 3,388,603	\$ -	3,388,603
Revenue recognition - 60 day receivable effect	33,434	-	33,434
Stabilization interest - GASB 54 impact	-	26,485	26,485
Revenues on a GAAP basis	<u>\$ 3,422,037</u>	<u>\$ 26,485</u>	<u>\$ 39,797,084</u>
Expenditures on a budgetary basis			\$ 35,515,603
Expenditure recognition	\$ -	\$ -	-
On behalf payments	3,388,603	-	3,388,603
Expenditures on a GAAP basis	<u>\$ 3,388,603</u>	<u>\$ -</u>	<u>\$ 38,904,206</u>
Net transfers on a budgetary basis			\$ (262,985)
Stabilization transfers - GASB 54 impact	\$ -	\$ 720,669	720,669
Unbudgeted transfers	33,879	-	33,879
Net transfers on a GAAP basis	<u>\$ 33,879</u>	<u>\$ -</u>	<u>\$ 491,563</u>