ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF MAYNARD, MASSACHUSETTS

Management Letter

Year Ended June 30, 2019

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Board of Selectmen
Town of Maynard
Maynard, Massachusetts

In planning and performing our audit of the 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, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

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

Roselli, Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
October 6, 2019

OVERVIEW

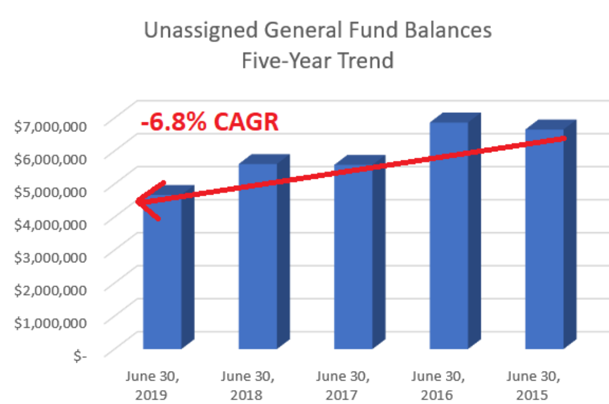
The U.S. economy continues to be strong as evidenced by low unemployment rates, rising wages and consumer confidence and an increasing workforce. International trade issues and tariffs appear to be the greatest threat to the nearly eleven years of consecutive economic growth.

On a more local level, the Federal Reserve Bank of Boston reports that the June 2019 Massachusetts unemployment rate was approximately 3%, which is far lower than the nationwide 3.7% rate. Average home price in Massachusetts increased approximately 3% year-over-year in fiscal year 2019. Real estate values are at record highs in much of Massachusetts, including many neighborhoods in the Town of Maynard (the "Town").

The Town's financial condition at June 30, 2019 is good, as measured by the budgetary flexibility in its general fund. Budgetary flexibility is often measured by comparing the assigned and unassigned fund balances in the general fund to the current year's total general fund expenditures. Credit rating bureaus often refer to this as a "reserve ratio." At June 30, 2019, the Town's reserve ratio was 10.6% versus 12.9% at June 30, 2018. Credit rating bureaus would consider the Town's reserve ratio to be good (strong would be 15% or more). Moody's assigns a Aa3 credit rating to the Town's long-term general obligation notes, which signifies that the Town's general obligation bonds are of investment grade, high quality and very low credit risk.

The redevelopment at 129 Parker Street continues into fiscal year 2020. Once completed, it is expected that this property will generate a significant number of local jobs as well as increase the Town's property tax base. This forecasted boost to the property tax rolls (more likely in fiscal year 2021 versus 2020) is coming timely as the Town has been experiencing a decline in its budgetary flexibility in its general fund, which experienced a significant decrease in fiscal year 2019.

In its governmental funds financial statements, which most closely resembles the Town's statutory accounting records, the Town's unassigned fund balance in its general fund approximated $4.7 million at June 30, 2019. This is an approximate $1.0 million decrease from the prior year and was due primarily to the Town's use of over $2 million in free cash for its 2019 operating budget (versus $0.8 million in 2018). A five-year trend of the Town's unassigned fund balance is illustrated in the table at right; over the past five years, the unassigned fund balance has decreased approximately 6.8% per year cumulatively.



As we noted in previous letters to management, the Town has a significant number of future obligations that materially affect its cash flows in the coming fiscal years including debt service, pension appropriations and compensated absences payouts. The Town has kept these obligations in mind in setting its annual budgets.

The remainder of the report reflects informational items and findings and recommendations. In reviewing the previous independent accountant's letter to management, we noted that the Town has taken great strides in its financial operations. We hope that Management will address comments in this letter to management with the same vigor it has addressed comments in the past.

INFORMATIONAL ITEM

Network Security

Ransomware is an insidious type of malware that encrypts, or locks, valuable digital files and demands a ransom to release these files. The most common ransomware attack involves a victim opening an emailed file or clicking an attachment that appears legitimate like an invoice, but actually contains the malicious ransomware code. As these emails often appear to be legitimate, the victim is unknowingly baited into executing the ransomware code.

The frequency of ransomware attacks on U.S. municipalities continues to rise. The Associated Press reported in August 2019 about a coordinated ransomware attach that affected more than twenty local governments in Texas on a single day by what was then believed to be perpetrated by a single source. Ransomware attacks are opportunistic; the size of the victim organization and its available resources are not leading indicators to an attack. Once penetrated, ransomware attackers can cause a municipality's technology resources to come to a standstill.

Effective protection first requires a commitment from a municipality's leadership to dedicate the necessary resources to best protect the community. Technology personnel (internal and/or outsourced) must continuously exercise diligence in this area. Finally, this commitment then extends to all municipal employees who, whether they like it or not, are part of ransomware prevention/protection.

The U.S. FBI recommends that organizations provide ransomware training for their employees and employ robust technical prevention controls. The FBI also recommends developing a business continuity plan in the event of a ransomware attack. More detailed recommendations by the FBI Cyber Division can be found on the FBI's website.

The Town's technology plans incorporate a number of prevention and protection measures including deploying anti-virus and anti-malware software, managing network permissions and access, regularly backing up digital data and requiring users to rotate passwords periodically.

We recommend that the Town perform an in-depth risk assessment surrounding its network security for not only its critical financial functions, but also in areas such as police, fire and the school district; attacks within one of these remote departments can penetrate into the Town's critical financial systems. Additionally, the Town should strongly consider additional employee training in this area as an unacceptably high percentage of ransomware attacks are initiated from employees unknowingly activating the ransomware software.

Improvements Since our Last Letter to Management

Management continues to address the finding and recommendations made in these letters to management. There has been significant improvement in the Town's financial operations over the past six years since our Firm was first engaged to audit its annual financial statements.

Each of the findings in our letter to management dated November 2, 2018 were addressed by the Town, either in full or partially. The following summarizes these improvements:

- The Town now records its investments at fair value, which is consistent with the requirements of the Massachusetts Department of Revenue and is consistent with accounting principles generally accepted in the United States of America ("GAAP").

- The Town Treasurer moved some monies from low interest-bearing accounts to higher interest-bearing accounts, which resulted in an approximate $52,000 increase in investment income (excluding the effects of unrealized gains/losses). We continue to recommend that the Treasurer evaluate interest-maximization strategies.

- The Town Accountant and police department have increased communications and more timely reconcile police detail accounts.

- Employee withholdings balances continue to be analyzed and the Town Accountant has a plan to address the apparent surplus.

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