

TOWN OF MAYNARD, MASSACHUSETTS

Report on Examination of
Basic Financial Statements
and Additional Information
Year Ended June 30, 2017

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

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, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents (except for the Maynard Contributory Retirement System "the Retirement System," which is as of December 31, 2016).

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, 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, 2017, (except for the Retirement System, which is as of December 31, 2016) 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 schedules of the Town's proportionate share of net pension liability and contributions to pension plan, the schedule of the Commonwealth's collective share of the Massachusetts Teachers' Retirement System's net pension liability, the funding progress and contribution funding for other postemployment benefits, the schedules of changes in net other postemployment liability, ratios and contributions, schedule of investment returns for other postemployment benefit plans 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 a report dated December 4, 2017 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Roselli, Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
December 4, 2017

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, 2017. 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 Town's assets and deferred outflows of financial resources exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by over \$41.5 million (*total net position*).
- The Town's total net position decreased by approximately \$2.2 million year-over-year. The net position in governmental activities decreased approximately \$2.5 million while the net position in business-type activities increased over \$0.3 million. Included in the governmental activities was over \$2.8 million in non-cash expenses related to other postemployment benefits and additional pension expense that were recorded on a GAAP basis.
- The Town's total long-term debt in its governmental activities and business-type activities in aggregate decreased by nearly \$4.0 million in 2017. The Town's total long-term debt was approximately \$43.3 million at June 30, 2017.
- As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of approximately \$15.2 million, which was approximately \$0.3 million higher than the prior year. Of the ending fund balance approximately \$6.9 million (mostly in the general fund) is *available for spending* at the government's discretion as *unassigned fund balance*. The remainder is earmarked for specific expenditures.
- At the end of the current fiscal year, unassigned fund balance for the general fund was approximately \$5.6 million, or approximately 13% percent of total fiscal year 2017 general fund expenditures.
- The Town will adopt a new accounting standard in fiscal year 2018 relative to other postemployment benefits, or OPEB. The Town will be required to present in its government-wide and proprietary fund financial statements its net OPEB *liability*. Under the current accounting standards, the Town presents its net OPEB *obligation* in the government-wide and proprietary fund financial statements, which at June 30, 2017 was nearly \$32.0 million lower than its net OPEB *liability*. The adoption of this accounting standard, like the Town's adoption of the pension accounting standard in fiscal year 2015, will have a material impact on the Town's unrestricted net position in the affected financial statements. The Town expects to restate beginning balances in its fiscal 2018 financial statements as a result of the implementation of this accounting standard.

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*. 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:

- Nonspendable —amounts that cannot be spent because they are either (a) not in spendable form (i.e., inventory or prepaid expenses) or (b) legally or contractually required to be maintained intact.
- 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 comparative statements of net position:

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>Assets</u>						
Current and other assets	\$ 23,804,102	\$ 24,558,779	\$ 4,911,013	\$ 5,556,859	\$ 28,715,115	\$ 30,115,638
Capital assets, net	78,739,945	79,079,489	22,285,211	22,837,869	101,025,156	101,917,358
Total assets	102,544,047	103,638,268	27,196,224	28,394,728	129,740,271	132,032,996
<u>Deferred Outflows of Resources</u>						
Pensions	2,881,578	3,803,142	101,422	133,858	2,983,000	3,937,000
<u>Liabilities</u>						
Long-term liabilities	73,310,522	74,111,041	13,170,851	14,299,669	86,481,373	88,410,710
Other liabilities	3,951,551	2,553,409	282,636	688,528	4,234,187	3,241,937
Total liabilities	77,262,073	76,664,450	13,453,487	14,988,197	90,715,560	91,652,647
<u>Deferred Inflows of Resources</u>						
Pensions	462,714	537,096	16,286	18,904	479,000	556,000
<u>Net Position</u>						
Net investment in capital assets	52,342,947	50,617,885	10,217,488	9,596,395	62,560,435	60,214,280
Restricted	12,793,631	13,812,267	-	-	12,793,631	13,812,267
Unrestricted	(37,435,740)	(34,190,288)	3,610,385	3,925,090	(33,825,355)	(30,265,198)
Net Position	\$ 27,700,838	\$ 30,239,864	\$ 13,827,873	\$ 13,521,485	\$ 41,528,711	\$ 43,761,349

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 decreased by over \$2.2 million, or approximately 5%, year-over-year. The net position in governmental activities decreased by approximately \$2.5 million while the net position in business-type activities increased by over \$0.3 million.

Included in the governmental activities was approximately \$2.8 million in non-cash expenses related to other postemployment benefits and additional pension expense that were recorded on a GAAP basis. The Town's sewer and water activities are reported in its business-type activities. Both operations reported positive increases in net position in 2017.

The largest portion (\$62.6 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, 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 (\$12.8 million) represents resources that are subject to external restrictions on how they may be used. The remaining net position is unrestricted and is presented as a deficit balance. This deficit is due almost entirely to the Town's reporting of nearly \$40.3 million in OPEB obligation and net pension liability.

The remaining category represents *unrestricted net position* which is currently in a deficit position of approximately \$33.8 million. Surpluses of over \$3.9 million in the business-type activities are offset by a deficit of approximately \$37.4 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 approximate \$25.9 million OPEB obligation and \$14.4 million net pension liability at June 30, 2017. The Town expects that its deficit in unrestricted net position will continue to increase for the foreseeable future.

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

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	Year Ended		Year Ended		Year Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 3,352,242	\$ 3,864,506	\$ 4,555,789	\$ 4,131,093	\$ 7,908,031	\$ 7,995,599
Operating grants and contributions	10,480,228	8,713,807	-	-	10,480,228	8,713,807
Capital grants and contributions	1,468,028	877,837	52,379	62,837	1,520,407	940,674
General revenues:						
Property taxes	29,249,923	28,450,991	-	-	29,249,923	28,450,991
Intergovernmental	1,635,040	1,724,841	-	-	1,635,040	1,724,841
Other	1,438,367	1,527,454	9,736	16,153	1,448,103	1,543,607
Total revenues	<u>47,623,828</u>	<u>45,159,436</u>	<u>4,617,904</u>	<u>4,210,083</u>	<u>52,241,732</u>	<u>49,369,519</u>
<u>Expenses</u>						
General government	3,277,428	3,161,633	-	-	3,277,428	3,161,633
Public safety	8,270,734	7,903,483	-	-	8,270,734	7,903,483
Education	32,417,749	29,777,314	-	-	32,417,749	29,777,314
Public works	2,767,315	2,457,282	-	-	2,767,315	2,457,282
Health and human services	976,850	779,211	-	-	976,850	779,211
Culture and recreation	1,033,690	1,340,493	-	-	1,033,690	1,340,493
Debt service	1,174,618	1,187,550	-	-	1,174,618	1,187,550
Sewer	-	-	2,881,037	2,885,593	2,881,037	2,885,593
Water	-	-	1,674,949	2,164,365	1,674,949	2,164,365
Total expenses	<u>49,918,384</u>	<u>46,606,966</u>	<u>4,555,986</u>	<u>5,049,958</u>	<u>54,474,370</u>	<u>51,656,924</u>
Change in net position before transfers	(2,294,556)	(1,447,530)	61,918	(839,875)	(2,232,638)	(2,287,405)
Transfers	(244,470)	-	244,470	-	-	-
Change in net position	(2,539,026)	(1,447,530)	306,388	(839,875)	(2,232,638)	(2,287,405)
Net position, beginning of year	<u>30,239,864</u>	<u>31,687,394</u>	<u>13,521,485</u>	<u>14,361,360</u>	<u>43,761,349</u>	<u>46,048,754</u>
Net position, end of year	<u>\$ 27,700,838</u>	<u>\$ 30,239,864</u>	<u>\$ 13,827,873</u>	<u>\$ 13,521,485</u>	<u>\$ 41,528,711</u>	<u>\$ 43,761,349</u>

Governmental Activities – Total revenues in fiscal year 2017 in the Town’s governmental activities increased nearly \$2.5 million, or 5.5%, from fiscal year 2016. Property taxes continue to represent the majority of total revenues in governmental activities; property taxes represented over 61% of total fiscal year 2017 governmental activities revenues. Property taxes increased nearly \$0.8 million, or 2.8%, year-over-year. This increase was due to Prop 2 ½ as well as new growth. Operating grants increased approximately \$1.8 million, or 20.3%, year-over-year. The majority of this increase was due to an increase in pension-related grant revenue associated with a special funding situation for the Commonwealth of Massachusetts payment of teacher retirement benefits to the Massachusetts Teachers Retirement System on behalf of the Town. No other revenue sources were greater than 10% of total revenues in fiscal years 2017 or 2016.

Education represents the largest expense category for the Town. In fiscal years 2017 and 2016, education expenses represented approximately 65% 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% of total fiscal year 2017 and 2016 expenses, respectively. No other expense types were greater than 10% of total expenses in fiscal years 2017 or 2016.

Business-Type Activities – User charges for sewer and water services represent virtually all of the fiscal year 2017 and 2016 revenues in the Town’s business-type activities. Both the sewer and water enterprises reported positive results of operation in 2017.

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 \$13.9 million, which is approximately \$1.3 million lower than the prior year. Of the ending fund balance approximately \$5.6 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 nearly \$5.6 million, while total general fund balance was nearly \$6.9 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 13% of total general fund expenditures, while total fund balance represents approximately 16% of that same amount.

The decrease in the fund balance in the general fund was due primarily to significant transfers in 2017 to the Town’s capital projects funds, which is a component of the Town’s nonmajor funds.

The Town’s community preservation fund, which is also reported as a major fund, reported an approximate \$78,000 positive increase in fund balance. The Town’s aggregate nonmajor funds include the Town’s special revenue funds, capital projects and trust funds. The nonmajor funds reported an approximately \$339,000 decrease in fund balance, primarily as a result of significant capital spending.

Proprietary Funds – The Town’s proprietary funds provide the same type of information found in the business-type activities of the government-wide financial statements, but in more detail. At the end of the year, net position of the sewer fund was approximately \$6.1 million and net position of the water fund amounted to approximately \$7.8 million.

Fiduciary Funds – The Town’s fiduciary fund is comprised of the Town’s Pension trust (a blended component unit), OPEB trust, private purpose trusts and agency funds. The Pension trust net position, which is reported as of December 31, 2016, increased nearly \$2.7 million as a result of strong investment performance in 2016. The Town contributed \$100,000 to its OPEB trust fund in 2017, which was the primary contributor to its increase in 2017. There was little activity in the Town’s private purpose trust funds in 2017.

General Fund Budgetary Highlights

A budget to actual schedule for the general fund has been provided as required supplementary information. The most significant budget variance was in the state and county charges category.

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, 2017, amounted to approximately \$101.0 million, net of accumulated depreciation. This investment in capital assets includes land, buildings and system improvements, machinery and equipment and is relatively consistent with the prior year.

The Town has undergone significant capital improvements over the past several years, including the construction of a new High School that was completed in 2015, a significant portion of which was funded with reimbursements from grants provided by the MSBA. Additional information on the Town capital assets can be found in the notes of this report.

Long-term Debt – At June 30, 2017, the Town had total long-term debt outstanding of approximately \$43.3 million. Of this amount approximately \$31.3 million represents general obligation bonds of governmental activities and approximately \$12.1 million represents general obligation bonds and notes of business-type activities.

The Town’s total long-term debt had a net decrease of approximately \$4.0 million in fiscal year 2017. The Town refinanced certain general obligation bonds in 2017 that are expected to result in long-term savings.

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.

In November 2016, Moody’s Investors Service reaffirmed its bond rating of Aa3 for the Town’s general obligation debt. This is the fourth highest bond rating this rating agency assigns and indicates that the Town’s debt is of “investment grade.”

The Town also holds a proportionate share of debt of other governmental units that provide services within the Town’s boundaries. Debt service from such arrangements is assessed annually to the Town. Additional information on the Town’s debt can be found in the notes of this report.

Economic Factors and Next Year's Budgets and Rates

- The median household income of the Town is approximately 33% greater than the state-wide median and 54% greater than the national median. Furthermore, the Town's unemployment rates are significantly better than both the state-wide and national averages.
- The Town's real estate tax base is made up predominantly of residential taxes, which in setting the 2017 tax rate was approximately 85% of the entire property tax levy. The Town also relies to a moderate degree on its commercial, industrial and personnel property real estate tax base which comprise the remainder of the levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town's ability to increase taxes in any one year by more than 2 ½% of the previous year tax levy.
- The Town has experienced a good deal of new growth in each of its property tax bases. The Clock Tower renovation project continues to provide new growth opportunities to the Town. In addition, there are plans to develop a mixed-use development project on 58 acres in the Town, which will also positively benefit the Town's property tax base.
- The Town is a party to a vocational technical school, which is undergoing new school construction, which will cause its annual assessment to increase significantly over the life of the bonds used to finance this construction project.
- Property values within the Town have been steadily increasing. Many neighborhoods' property values are at all-time highs.

The above items were considered when the Town accepted its budget for fiscal year 2018 at the May 2017 Town Meeting. The Town set its fiscal year 2018 property tax rate on December 5, 2017.

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 Finance Director, 195 Main Street, Maynard, Massachusetts 01754.

TOWN OF MAYNARD, MASSACHUSETTS

**STATEMENT OF NET POSITION
JUNE 30, 2017**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 13,064,902	\$ 1,802,491	\$ 14,867,393
Investments	3,370,623	472,674	3,843,297
Receivables, net of allowance for uncollectible accounts:			
Property taxes	1,283,315	-	1,283,315
User fees	-	2,079,662	2,079,662
Departmental and other	362,356	-	362,356
Intergovernmental	5,722,906	556,186	6,279,092
Capital assets not being depreciated	4,450,569	-	4,450,569
Capital assets, net of depreciation	74,289,376	22,285,211	96,574,587
Total Assets	102,544,047	27,196,224	129,740,271
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	2,881,578	101,422	2,983,000
LIABILITIES			
Current liabilities:			
Warrants and accounts payable	2,352,096	183,021	2,535,117
Accrued payroll and related expenses	1,080,177	-	1,080,177
Accrued interest expense	503,752	99,615	603,367
Other	15,526	-	15,526
Noncurrent liabilities:			
Due in one year or less	3,639,074	1,198,705	4,837,779
Due in more than one year	69,671,448	11,972,146	81,643,594
Total Liabilities	77,262,073	13,453,487	90,715,560
DEFERRED INFLOWS OF RESOURCES			
Pensions	462,714	16,286	479,000
NET POSITION			
Net investment in capital assets	52,342,947	10,217,488	62,560,435
Restricted for:			
Nonexpendable funds	23,705	-	23,705
Expendable funds	996,658	-	996,658
Capital projects	1,635,244	-	1,635,244
Restricted for debt service	4,862,531	-	4,862,531
Other	5,275,493	-	5,275,493
Unrestricted	(37,435,740)	3,610,385	(33,825,355)
Total Net Position	\$ 27,700,838	\$ 13,827,873	\$ 41,528,711

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

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
Governmental Activities							
General government	\$ 3,277,428	\$ 242,956	\$ 12,689	\$ 285,213	\$ (2,736,570)		\$ (2,736,570)
Public safety	8,270,734	768,422	50,612	750,000	(6,701,700)		(6,701,700)
Education	32,417,749	1,773,939	10,240,267	167,821	(20,235,722)		(20,235,722)
Public works	2,767,315	71,994	2,690	264,994	(2,427,637)		(2,427,637)
Health and human services	976,850	362,541	82,339	-	(531,970)		(531,970)
Culture and recreation	1,033,690	132,390	91,631	-	(809,669)		(809,669)
Interest expense	1,174,618	-	-	-	(1,174,618)		(1,174,618)
Total Governmental Activities	49,918,384	3,352,242	10,480,228	1,468,028	(34,617,886)		(34,617,886)
Business-Type Activities							
Sewer	2,881,037	2,797,227	-	3,913	-	\$ (79,897)	(79,897)
Water	1,674,949	1,758,562	-	48,466	-	132,079	132,079
Total Primary Government	\$ 54,474,370	\$ 7,908,031	\$ 10,480,228	\$ 1,520,407	(34,617,886)	52,182	(34,565,704)
General Revenues							
Real and personal property taxes					29,249,923	-	29,249,923
Grants not restricted for specific purposes					1,635,040	-	1,635,040
Motor vehicle and other excise					1,249,858	-	1,249,858
Penalties and interest on taxes					110,062	-	110,062
Investment income					78,447	9,736	88,183
Transfers					(244,470)	244,470	-
Total general revenues and transfers					32,078,860	254,206	32,333,066
Change in Net Position					(2,539,026)	306,388	(2,232,638)
Net Position - Beginning of year					30,239,864	13,521,485	43,761,349
Net Position - End of year					\$ 27,700,838	\$ 13,827,873	\$ 41,528,711

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017**

	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 6,340,922	\$ 922,882	\$ 5,801,098	\$ 13,064,902
Investments	2,771,377	-	599,246	3,370,623
Receivables, net of allowance				
Property taxes	1,281,497	1,818	-	1,283,315
Excise taxes and other	300,340	-	62,016	362,356
Due from other governments	4,862,531	-	860,375	5,722,906
Total Assets	<u>15,556,667</u>	<u>924,700</u>	<u>7,322,735</u>	<u>23,804,102</u>
Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 15,556,667</u>	<u>\$ 924,700</u>	<u>\$ 7,322,735</u>	<u>\$ 23,804,102</u>
Liabilities				
Warrants and accounts payable	\$ 1,171,132	\$ 18,073	\$ 1,162,892	\$ 2,352,097
Accrued payroll and related expenses	1,080,177	-	-	1,080,177
Other liabilities	15,526	-	-	15,526
Total Liabilities	<u>2,266,835</u>	<u>18,073</u>	<u>1,162,892</u>	<u>3,447,800</u>
Deferred Inflows of Resources				
Unavailable revenues - property taxes	1,252,847	1,818	-	1,254,665
Unavailable revenues - excise taxes and other	300,340	-	62,016	362,356
Unavailable revenues - intergovernmental	4,862,531	-	-	4,862,531
Total deferred inflows of resources	<u>6,415,718</u>	<u>1,818</u>	<u>62,016</u>	<u>6,479,552</u>
Fund Balances				
Nonspendable	-	-	23,705	23,705
Restricted	545,434	904,809	4,932,701	6,382,944
Committed	366,049	-	1,141,421	1,507,470
Assigned	383,030	-	-	383,030
Unassigned	5,579,601	-	-	5,579,601
Total Fund Balances	<u>6,874,114</u>	<u>904,809</u>	<u>6,097,827</u>	<u>13,876,750</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 15,556,667</u>	<u>\$ 924,700</u>	<u>\$ 7,322,735</u>	<u>\$ 23,804,102</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, 2017

Total Governmental Fund Balances	\$ 13,876,750
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	78,739,945
Other long-term assets are not available to pay for current-period expenditures and are therefore unavailable within the funds.	6,479,552
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(503,752)
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	(31,092,773)
Premium received from issuance of long-term debt	(166,756)
Compensated absences	(1,768,974)
Other postemployment benefits	(25,917,598)
Net pension liability	<u>(11,945,556)</u>
Fund Balances of Governmental Activities	<u>\$ 27,700,838</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, 2017**

	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Real estate and personal property taxes, net	\$ 28,896,233	\$ 252,580	\$ -	\$ 29,148,813
Intergovernmental	11,221,080	49,463	2,473,086	13,743,629
Motor vehicle and other excises	1,315,189	-	-	1,315,189
Departmental and other revenue	486,973	-	2,985,067	3,472,040
License and permits	368,409	-	-	368,409
Penalties and interest on taxes	110,062	-	-	110,062
Fines and forfeitures	96,823	-	-	96,823
Investment income	56,014	906	21,527	78,447
Contributions and donations	-	-	57,526	57,526
Total Revenues	<u>42,550,783</u>	<u>302,949</u>	<u>5,537,206</u>	<u>48,390,938</u>
Expenditures				
Current:				
General government	2,321,540	4,937	412,052	2,738,529
Public safety	4,708,311	-	1,289,074	5,997,385
Education	17,727,953	59,947	3,573,443	21,361,343
Public works	1,868,397	-	1,000,037	2,868,434
Health and human services	518,973	-	50,229	569,202
Culture and recreation	531,984	15,890	199,427	747,301
Pensions and other fringe benefits	10,700,235	-	-	10,700,235
State and county tax assessments	641,287	-	-	641,287
Debt service:				
Principal	2,685,181	90,000	-	2,775,181
Interest	1,098,126	34,600	-	1,132,726
Total Expenditures	<u>42,801,987</u>	<u>205,374</u>	<u>6,524,262</u>	<u>49,531,623</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(251,204)</u>	<u>97,575</u>	<u>(987,056)</u>	<u>(1,140,685)</u>
Other Financing Sources (Uses):				
Proceeds from refunding bonds	1,661,902	-	-	1,661,902
Payments on refunded bonds	(1,600,000)	-	-	(1,600,000)
Transfers in	528,879	-	1,176,567	1,705,446
Transfers out	(1,401,037)	(20,000)	(528,879)	(1,949,916)
Total Other Financing Sources (Uses)	<u>(810,256)</u>	<u>(20,000)</u>	<u>647,688</u>	<u>(182,568)</u>
Net Change in Fund Balances	(1,061,460)	77,575	(339,368)	(1,323,253)
Fund Balances - Beginning of year	<u>7,935,574</u>	<u>827,234</u>	<u>6,437,195</u>	<u>15,200,003</u>
Fund Balances - End of year	<u>\$ 6,874,114</u>	<u>\$ 904,809</u>	<u>\$ 6,097,827</u>	<u>\$ 13,876,750</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
YEAR ENDED JUNE 30, 2017**

Net Change in Fund Balances - Total Governmental Fund Balances \$ (1,323,253)

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	\$ 2,609,396	
Depreciation expense	(2,948,940)	
Net effect of reporting fixed assets		(339,544)

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

Proceeds from refunding bonds	(1,661,902)	
Payments on refunded bonds	1,600,000	
Payment of issuance costs on refunding bonds	61,902	
Repayments on long-term debt	2,773,881	
Amortization of premium received from issuance of long-term debt	20,565	
Net effect of reporting long-term debt		2,794,446

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.

(62,457)

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.

(767,110)

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:

Compensated absences, net	(5,996)	
Other postemployment benefits	(2,309,608)	
Net pension liability	(525,504)	
Net effect of reporting long-term liabilities		(2,841,108)

Net Change in Fund Balances of Governmental Activities \$ (2,539,026)

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 684,916	\$ 1,117,575	\$ 1,802,491
Investments	134,488	338,186	472,674
User charges receivable	1,276,571	803,091	2,079,662
Due from other governments	3,102	81,850	84,952
Total current assets	<u>2,099,077</u>	<u>2,340,702</u>	<u>4,439,779</u>
Noncurrent assets:			
Due from other governments	11,129	460,105	471,234
Capital assets, net of accumulated depreciation	13,506,485	8,778,726	22,285,211
Total noncurrent assets	<u>13,517,614</u>	<u>9,238,831</u>	<u>22,756,445</u>
Total Assets	<u>15,616,691</u>	<u>11,579,533</u>	<u>27,196,224</u>
Deferred Outflows of Resources			
Pensions	<u>35,796</u>	<u>65,626</u>	<u>101,422</u>
Liabilities			
Current liabilities:			
Warrants payable and other liabilities	94,538	88,483	183,021
Accrued interest expense	86,747	12,868	99,615
Bond and note indebtedness	610,597	553,800	1,164,397
Compensated absences	13,834	20,474	34,308
Total current liabilities	<u>805,716</u>	<u>675,625</u>	<u>1,481,341</u>
Noncurrent liabilities:			
Bond and note indebtedness	8,333,326	2,570,000	10,903,326
Compensated absences	13,834	20,474	34,308
Other postemployment benefits	264,466	264,466	528,932
Net pension liability	178,440	327,140	505,580
Total noncurrent liabilities	<u>8,790,066</u>	<u>3,182,080</u>	<u>11,972,146</u>
Total Liabilities	<u>9,595,782</u>	<u>3,857,705</u>	<u>13,453,487</u>
Deferred Inflows of Resources			
Pensions	<u>5,748</u>	<u>10,538</u>	<u>16,286</u>
Net Position			
Invested in capital assets	4,562,562	5,654,926	10,217,488
Unrestricted	<u>1,488,395</u>	<u>2,121,990</u>	<u>3,610,385</u>
Total Net Position	<u>\$ 6,050,957</u>	<u>\$ 7,776,916</u>	<u>\$ 13,827,873</u>

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2017**

	Business-Type Activities - Enterprise Funds		
	Sewer	Water	Totals
Operating Revenues			
User charges	\$ 2,797,227	\$ 1,758,562	\$ 4,555,789
Operating Expenses			
Operating costs	2,087,070	1,083,896	3,170,966
Depreciation	561,442	439,573	1,001,015
Total Operating Expenses	2,648,512	1,523,469	4,171,981
Total Operating Income	148,715	235,093	383,808
Nonoperating Income (Expenses)			
Intergovernmental revenues	3,913	48,466	52,379
Interest income	4,711	5,025	9,736
Interest expense	(232,525)	(151,480)	(384,005)
Transfers in	244,470	-	244,470
Total Nonoperating Revenues (Expenses), net	20,569	(97,989)	(77,420)
Change in Net Position	169,284	137,104	306,388
Net Position - Beginning of year	5,881,673	7,639,812	13,521,485
Net Position - End of year	\$ 6,050,957	\$ 7,776,916	\$ 13,827,873

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017**

	Business-Type Activities - Enterprise Funds		
	Sewer	Water	Totals
Cash Flows from Operating Activities			
Receipts from users	\$ 2,644,966	\$ 1,688,600	\$ 4,333,566
Payments to employees	(126,962)	(168,893)	(295,855)
Payments to vendors	(2,031,219)	(1,166,355)	(3,197,574)
Net Cash Provided by Operating Activities	<u>486,785</u>	<u>353,352</u>	<u>840,137</u>
Cash Flows from Noncapital Related Financing Activities			
Transfers in	<u>244,470</u>	-	<u>244,470</u>
Net Cash Provided by Noncapital Related Financing Activities	<u>244,470</u>	-	<u>244,470</u>
Cash Flows from Capital and Related Financing Activities			
Grant received from Commonwealth	15,096	128,590	143,686
Acquisition and construction of capital assets	(100,050)	(348,307)	(448,357)
Principal payments on bonds	(635,651)	(538,100)	(1,173,751)
Interest paid	(238,600)	(154,083)	(392,683)
Net Cash Used for Capital and Related Financing Activities	<u>(959,205)</u>	<u>(911,900)</u>	<u>(1,871,105)</u>
Cash Flows from Investing Activities			
Return of investments of operating cash	478,804	22,687	501,491
Investment income	4,711	5,025	9,736
Net Cash Provided by Investing Activities	<u>483,515</u>	<u>27,712</u>	<u>511,227</u>
Net Change in Cash and Cash Equivalents	255,565	(530,836)	(275,271)
Cash and Cash Equivalents			
Beginning of year	<u>429,351</u>	<u>1,648,411</u>	<u>2,077,762</u>
End of year	<u>\$ 684,916</u>	<u>\$ 1,117,575</u>	<u>\$ 1,802,491</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:			
Operating income	\$ 148,715	\$ 235,093	\$ 383,808
Depreciation	561,442	439,573	1,001,015
Changes in assets and liabilities:			
Receivables	(152,261)	(69,962)	(222,223)
Warrants payable and accrued expenses	(71,111)	(251,352)	(322,463)
Net Cash Provided by Operating Activities	<u>\$ 486,785</u>	<u>\$ 353,352</u>	<u>\$ 840,137</u>

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017

	Pension Trust Fund (a)	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds	Agency Funds
Assets				
Cash and cash equivalents	\$ 598,137	\$ 33,801	\$ -	\$ 481,876
Investments, at fair value	38,706,684	1,062,225	1,512,205	-
Receivables:				
Employee contributions	121,131	-	-	-
Due from the Commonwealth	-	-	-	-
Open trades	72,761	-	-	-
Public safety details	-	-	-	55,002
Total receivables	<u>193,892</u>	<u>-</u>	<u>-</u>	<u>55,002</u>
Total Assets	<u>39,498,713</u>	<u>1,096,026</u>	<u>1,512,205</u>	<u>536,878</u>
Liabilities				
Accounts payable and accrued expenses	83,960	-	-	8,330
Open trades	29,453	-	-	-
Planning board deposits	-	-	-	383,577
Student activities	-	-	-	132,205
Other	-	-	-	12,766
Total Liabilities	<u>113,413</u>	<u>-</u>	<u>-</u>	<u>536,878</u>
Net Position Held in Trust for				
Pension benefits	39,385,300	-	-	-
Other postemployment benefits	-	1,096,026	-	-
Public assistance and scholarships	-	-	1,512,205	-
Total Net Position	<u>\$ 39,385,300</u>	<u>\$ 1,096,026</u>	<u>\$ 1,512,205</u>	<u>\$ -</u>

(a) - As of December 31, 2016

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2017**

	Pension Trust Fund (a)	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
Additions			
Contributions:			
Employer	\$ 2,072,000	\$ 1,371,529	\$ -
Employee	915,938	423,843	-
Commonwealth of Massachusetts	18,359	-	-
Transfers from other systems	158,467	-	-
Reimbursements from other systems	96,167	-	-
Other contributions and donations	-	-	8,825
Total contributions	<u>3,260,931</u>	<u>1,795,372</u>	<u>8,825</u>
Investment income:			
Interest and dividends	935,884	30,475	-
Net realized and unrealized gains	2,108,167	31,261	-
Less: investment management fees	(220,823)	(3,358)	-
Net investment earnings	<u>2,823,228</u>	<u>58,378</u>	<u>-</u>
Other income	<u>5,930</u>	<u>-</u>	<u>-</u>
Total Additions	<u>6,090,089</u>	<u>1,853,750</u>	<u>8,825</u>
Deductions			
Benefit payments to retirees and beneficiaries	2,926,788	1,695,372	-
Refunds to members	90,166	-	-
Transfers to other systems	131,594	-	-
Reimbursements to other systems	164,450	-	-
Operations payroll	53,878	-	-
Other administrative expenses	63,357	-	-
Total Deductions	<u>3,430,233</u>	<u>1,695,372</u>	<u>-</u>
Change in Net Position	2,659,856	158,378	8,825
Net Position - Beginning of year	<u>36,725,444</u>	<u>937,648</u>	<u>1,503,380</u>
Net Position - End of year	<u>\$ 39,385,300</u>	<u>\$ 1,096,026</u>	<u>\$ 1,512,205</u>

(a) - For the year ended December 31, 2016

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2017

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 to 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.

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 due and payable.

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.

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 Retirement 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 are recorded at fair value in accordance with GAAP.

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. The Town is permitted to take delinquent taxes into tax title fourteen days subsequent to the mailing of a demand for payment of the delinquent taxes.

User charges receivables represent amounts billed for water and sewer. Water and sewer charges are billed quarterly and are subject to penalties and interest if not paid by the respective due date. The Town is authorized to take water and sewer fees into tax title fourteen days subsequent to the mailing of a demand for payment of the delinquent fees.

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 seldom 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 reports items related to its net pension liability as deferred outflows of resources in both its government-wide and business-type activities, which it expects to amortize into pension expense within the next five years.

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 reports items related to its net pension liability as deferred inflows of resources in both its government-wide and business-type activities, which it expects to amortize into pension expense within the next five years, which will result in reductions in reported pension expense. In its governmental fund financial statements, the Town reports *unavailable revenues* as deferred inflows of resources within the governmental funds balance sheet. Unavailable revenues are derived from three sources – property taxes, motor vehicle excise taxes and departmental revenues. The Town expects to recognize these items into revenue in the period(s) that these amounts become available.

Net Position – In the government-wide financial statements, net position reported as “net investment in capital assets” 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

Debt service represent amounts anticipated to be received in future periods from the Massachusetts School Building Authority (“MSBA”) 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 – The Town presents its fund balances in its governmental funds using classifications that comprise a hierarchy based primarily to 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:

	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Perpetual permanent funds	\$ -	\$ -	\$ 23,705	\$ 23,705
Restricted:				
Expendable trusts	-	-	996,658	996,658
Community preservation	-	904,809	-	904,809
Debt service reserve	545,434	-	-	545,434
Capital projects	-	-	493,823	493,823
Federal and state grants	-	-	577,124	577,124
Revolving funds	-	-	2,865,096	2,865,096
Committed:				
General government	39,755	-	75,000	114,755
Public safety	-	-	482,567	482,567
Education	275,000	-	-	275,000
Public works	-	-	345,000	345,000
Culture and recreation	-	-	238,854	238,854
Fringe benefits	51,294	-	-	51,294
Assigned:				
General government	179,543	-	-	179,543
Public safety	55,097	-	-	55,097
Education	114,438	-	-	114,438
Public works	15,560	-	-	15,560
Health and human services	5,663	-	-	5,663
Culture and recreation	5,229	-	-	5,229
Pension and other fringe benefits	7,500	-	-	7,500
Unassigned:				
Unrestricted	1,786,421	-	-	1,786,421
General stabilization	2,021,515	-	-	2,021,515
Capital stabilization	1,771,665	-	-	1,771,665
	<u>\$ 6,874,114</u>	<u>\$ 904,809</u>	<u>\$ 6,097,827</u>	<u>\$ 13,876,750</u>

Stabilization Funds – The Town maintains two stabilization funds. The general stabilization fund may be used for any municipal purpose upon a two-thirds vote of the Town Meeting. The capital stabilization fund may be used for capital purposes upon a two-thirds vote of the Town Meeting. Both stabilization funds are reported as unassigned 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. At June 30, 2017, the Town reported \$383,030 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

The Town incurred a deficit in state and county charges in the amount of \$75,592. The Town absorbed this as part of general operations during 2017, which is permissible under Massachusetts General Laws.

F. Use of Estimates

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

II. Detailed Notes to All Funds

A. Deposits and Investments

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

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

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

Primary Government

Fair Value of Investments – The Town reports its investments at fair value. When actively quoted observable prices are not available, the Town generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument’s anticipated life.
- *Level 3* – Inputs reflect the Town’s best estimate of what market participants would use in pricing the investment at the measurement date.

The remaining investments not categorized under the fair value hierarchy as shown as being valued at either amortized cost or at net asset value (“NAV”). These are investments in non-governmental entities for which readily determinable fair value is not available, such as member units or an ownership interest in partners’ capital to which a proportionate share of net assets is attributed. Investments at NAV are commonly calculated by subtracting the fair value of liabilities from the fair value of assets.

The following table presents the Town’s investments carried at fair value on a recurring basis in the statement of net position at June 30, 2017:

Investments by Fair Value Level	June 30, 2017	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level:				
Debt securities:				
U.S. treasury bonds	\$ 872,863	\$ 872,863	\$ -	\$ -
U.S. government agency bonds	3,309,863	3,309,863	-	-
Corporate bonds	542,496	542,496	-	-
Total debt securities	<u>4,725,222</u>	<u>4,725,222</u>	<u>-</u>	<u>-</u>
Equity securities	60,571	60,571	-	-
Mutual funds	1,467,432	1,467,432	-	-
Total investments by fair value level	<u>6,253,225</u>	<u>\$ 6,253,225</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at amortized cost:				
MMDT	<u>164,502</u>			
Total investments measured at fair value	<u>\$ 6,417,727</u>			

All of the Town’s investments in debt, equity securities and mutual funds were classified in Level 1 as each investment is quoted in an active market. The Town’s investment with the MMDT is carried at amortized cost, which approximates fair value.

At June 30, 2017, the Town had the following investment maturities:

Investments by Fair Value Level	December 31 2016	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level:				
Equity securities	\$ 20,754,177	\$ 20,754,177	\$ -	\$ -
Private equity	26,539	-	-	26,539
Total investments by fair value level	20,780,716	\$ 20,754,177	\$ -	\$ 26,539
Investments measured at net asset value (NAV):				
PRIT	17,925,968			
Total investments measured at fair value	\$ 38,706,684			

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 June 30, 2017, \$2,699,280 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 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 investments in mutual funds are 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. Of the Town’s investments in corporate fixed income, \$69,965 was rated by Moody’s Investors Service (“Moody’s”) as A3, \$363,081 was rated Baa1 and \$109,450 was rated as Baa2. All of the Town’s government securities were rated Aaa by Moody’s.

Retirement System (December 31, 2016)

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.

Fair Value of Investments – The Retirement System reports its investments at fair value using the same hierarchy as the Town. The following table presents the fair value of the Retirement System’s investments at December 31, 2016:

Investments by Fair Value Level	December 31 2016	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level:				
Equity securities	\$ 20,754,177	\$ 20,754,177	\$ -	\$ -
Private equity	26,539	-	-	26,539
Total investments by fair value level	<u>20,780,716</u>	<u>\$ 20,754,177</u>	<u>\$ -</u>	<u>\$ 26,539</u>
Investments measured at net asset value (NAV):				
PRIT	<u>17,925,968</u>			
Total investments measured at fair value	<u>\$ 38,706,684</u>			

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. The private equity investments are classified in Level 3 based on the composition of the underlying investment contained within these investments.

The State Treasurer investment pool is administered by the Commonwealth of Massachusetts’ Pension Reserve Investment Management Board, or PRIM. The System holds five separate pooled PRIT funds, each of which consists of a diverse set of investments that includes private equity, distressed debt, derivatives, venture and real estate investments. The determination of the fair value of these investments is very subjective and the period-end values are reported to the System as NAV. Investments in the PRIT funds are generally more liquid than investments in private equity and real estate holdings, but generally cannot be resold to third parties. The System may liquidate its investments in the PRIT funds at any time with less than thirty days’ notice. Distributions from the PRIT funds are received regularly and deposited into an accompanying short-term cash investment account.

Custodial Credit Risk: Deposits – The Retirement 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, 2016, all of the Retirement System’s bank deposits were fully insured by the FDIC.

Custodial Credit Risk: Investments – The Retirement System’s policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the Retirement System. At December 31, 2016, the Retirement 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 – The following Retirement System investments held at December 31, 2016, represented approximately 46.3% of the Retirement System’s total investments:

PRIT Fixed Income Fund	14.5%
PRIT Real Estate Fund	9.3%
PRIT Emerging Markets Fund	8.0%
PRIT Hedge Fund	7.4%
PRIT Value Added Fixed Income Fund	7.1%

No other Retirement System investment represented more than 5% of the Retirement System’s total investments at December 31, 2016.

None of the Retirement System’s investments were subject to credit quality ratings from leading credit rating agencies. At December 31, 2016, uninsured short-term investment funds with fair values of \$597,037 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

As of June 30, 2017, receivables for the Town’s individual major and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Preservation	Funds	Funds
Personal property taxes	\$ 34,133	\$ -	\$ -	\$ 34,133
Real estate taxes	200,780	1,818	-	202,598
Tax liens and possessions	1,046,584	-	-	1,046,584
Excise taxes	300,340	-	-	300,340
Ambulance and other	-	-	62,016	62,016
Intergovernmental - MSBA	4,862,531	-	-	4,862,531
Intergovernmental - other	-	-	860,375	860,375
	<u>\$ 6,444,368</u>	<u>\$ 1,818</u>	<u>\$ 922,391</u>	<u>\$ 7,368,577</u>

The Town did not record any allowances for uncollectible accounts as of June 30, 2017 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, 2017 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, 2017 in the governmental funds:

	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
Personal property taxes	\$ 33,684	\$ -	\$ -	\$ 33,684
Real estate taxes	172,579	1,818	-	174,397
Tax liens and possessions	1,046,584	-	-	1,046,584
Excise taxes	300,340	-	-	300,340
Ambulance and other	-	-	62,016	62,016
Intergovernmental	4,862,531	-	-	4,862,531
	<u>\$ 6,415,718</u>	<u>\$ 1,818</u>	<u>\$ 62,016</u>	<u>\$ 6,479,552</u>

Massachusetts School Building Authority Assistance Reimbursement – The Town is currently being reimbursed by the Commonwealth of Massachusetts for a school building project initiated in fiscal year 2004 at the 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 \$4,862,531 at June 30, 2017 in its general fund, which represents the net present value of these future payments.

MCWT Loan Subsidies – The Town has entered into several loan agreements with the Massachusetts Clean Water Trust (“MCWT”), which was formerly known as the Massachusetts Water Pollution Abatement Trust, or MWPAT. The Town recorded \$14,231 and \$541,955 as receivables in its sewer and water enterprise funds, respectively, at June 30, 2017. These amounts represent future debt principal subsidies the Town will receive from the MCWT through fiscal year 2023. In addition to these principal subsidies, the Town expects to receive an additional \$1,218, \$3,700 and \$162,455 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, 2017 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 4,450,569	\$ -	\$ -	\$ 4,450,569
Construction in-process	-	-	-	-
Total capital assets not being depreciated	<u>4,450,569</u>	<u>-</u>	<u>-</u>	<u>4,450,569</u>
Capital assets being depreciated:				
Infrastructure	8,755,725	658,534	-	9,414,259
Buildings and improvements	88,288,609	240,904	-	88,529,513
Vehicles	2,113,936	194,503	(63,559)	2,244,880
Machinery and equipment	<u>2,847,400</u>	<u>1,515,455</u>	<u>-</u>	<u>4,362,855</u>
Total capital assets being depreciated	<u>102,005,670</u>	<u>2,609,396</u>	<u>(63,559)</u>	<u>104,551,507</u>
Less accumulated depreciation	<u>(27,376,750)</u>	<u>(2,948,940)</u>	<u>63,559</u>	<u>(30,262,131)</u>
Total capital assets being depreciated, net	<u>74,628,920</u>	<u>(339,544)</u>	<u>-</u>	<u>74,289,376</u>
Capital assets, net	<u>\$ 79,079,489</u>	<u>\$ (339,544)</u>	<u>\$ -</u>	<u>\$ 78,739,945</u>
Depreciation expense was charged to functions/programs as follows:				
General government	\$ 88,745			
Public safety	334,577			
Education	2,127,601			
Public works	281,166			
Culture and recreation	<u>116,851</u>			
	<u>\$ 2,948,940</u>			

<u>Business-Type Activities - Sewer</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in-process	\$ 108,310	\$ -	\$ (108,310)	\$ -
Total capital assets not being depreciated	108,310	-	(108,310)	-
Capital assets being depreciated:				
Infrastructure	21,234,267	139,060	-	21,373,327
Vehicles	42,001	-	-	42,001
Machinery and equipment	793,840	69,300	-	863,140
Total capital assets being depreciated	22,070,108	208,360	-	22,278,468
Less accumulated depreciation	(8,210,541)	(561,442)	-	(8,771,983)
Capital assets, net	\$ 13,967,877	\$ (353,082)	\$ (108,310)	\$ 13,506,485
<u>Business-Type Activities - Water</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in-process	\$ 277,631	\$ -	\$ (277,631)	\$ -
Capital assets being depreciated:				
Infrastructure	13,811,121	613,730	-	14,424,851
Vehicles	151,947	-	-	151,947
Machinery and equipment	1,180,236	12,208	-	1,192,444
Total capital assets being depreciated	15,143,304	625,938	-	15,769,242
Less accumulated depreciation	(6,550,943)	(439,573)	-	(6,990,516)
Capital assets, net	\$ 8,869,992	\$ 186,365	\$ (277,631)	\$ 8,778,726
Depreciation expense was charged to functions/programs as follows:				
Sewer	\$ 561,442			
Water	439,573			
	\$ 1,001,015			

D. Interfund Receivables, Payables and Transfers

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

<u>Transfers Out</u>	<u>Transfers In</u>			<u>Total</u>	
	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Sewer Enterprise</u>		
General fund	\$ -	\$ 1,156,576	\$ 244,470	\$ 1,401,046	(1) (2)
Community preservation fund	-	20,000	-	20,000	(3)
Nonmajor governmental funds	528,879	-	-	528,879	(4)
	\$ 528,879	\$ 1,176,576	\$ 244,470	\$ 1,949,925	

(1) General fund transfers to capital projects. Of this total, \$736,567 was transferred from capital stabilization.

(2) General fund transferred \$244,470 to sewer enterprise as subsidy.

(3) Community preservation transfer to conservation trust.

(4) Approved transfer of receipts reserved for ambulance (\$295,000) and PEG access (\$233,879).

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 generally carry maturity dates of less than one year and are interest bearing and will be paid through future issuance of general obligation bonds. The Town did not execute any temporary debt issuances in fiscal year 2017.

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.”

Current Year Refunding – On December 13, 2016, the Town issued \$2,105,000 of general obligation refunding bonds paying interest rates between 2.0% and 2.5% and maturing on February 1, 2025 in exchange for \$2,090,000 in general obligation bonds with an interest rate of 3.87% in its governmental activities. As a result of the refunding bonds, the Town reduced its total debt service requirements, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$116,530.

The following table reflects the activity in the Town’s long-term liability accounts during the fiscal year ended June 30, 2017:

Description of Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
<i>Governmental Activities:</i>					
General obligation bonds and notes payable	\$ 33,866,654	\$ 1,601,300	\$ (4,375,181)	\$ 31,092,773	\$ 2,735,231
Premium on bonds payable	187,321	-	(20,564)	166,757	19,356
Compensated absences	1,762,978	5,996	-	1,768,974	884,487
Other postemployment benefits	23,607,990	4,116,993	(1,807,385)	25,917,598	-
Net pension liability	14,686,098	1,660,256	(1,981,934)	14,364,420	-
Total Governmental Activities	\$ 74,111,041	\$ 7,384,545	\$ (8,185,064)	\$ 73,310,522	\$ 3,639,074
<i>Business-Type Activities:</i>					
General obligation bonds and notes payable	\$ 13,241,474	\$ 503,700	\$ (1,677,451)	\$ 12,067,723	\$ 1,164,397
Compensated absences	59,497	9,119	-	68,616	34,308
Other postemployment benefits	481,796	84,020	(36,884)	528,932	-
Net pension liability	516,902	14,098	(25,420)	505,580	-
Total Business-Type Activities	\$ 14,299,669	\$ 610,937	\$ (1,739,755)	\$ 13,170,851	\$ 1,198,705

General obligation bonds and notes outstanding at June 30, 2017 were as follows:

Description	Interest Rate	Outstanding at June 30, 2016	Additions	Maturities and Retirements	Outstanding at June 30, 2017
<i>Governmental Activities:</i>					
General obligation bonds	1.04 - 4.17%	\$ 33,847,070	\$ 1,601,300	\$ (4,370,285)	\$ 31,078,085
MCWT note	0.00%	19,584	-	(4,896)	14,688
		<u>33,866,654</u>	<u>1,601,300</u>	<u>(4,375,181)</u>	<u>31,092,773</u>
Unamortized premiums on February 2013 bonds		187,321	-	(20,564)	166,757
Total Governmental Activities		\$ 34,053,975	\$ 1,601,300	\$ (4,395,745)	\$ 31,259,530
<i>Business-Type Activities:</i>					
General obligation bonds	2.16 - 4.76%	\$ 3,297,930	\$ 503,700	\$ (944,715)	\$ 2,856,915
MCWT notes	0.00 - 5.50%	9,943,544	-	(732,736)	9,210,808
		<u>13,241,474</u>	<u>503,700</u>	<u>(1,677,451)</u>	<u>12,067,723</u>
Total Business-Type Activities		\$ 13,241,474	\$ 503,700	\$ (1,677,451)	\$ 12,067,723

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

Year Ending June 30,	Governmental Activities						Total
	Principal			Interest			
	Gross	Subsidized	Net	Gross	Subsidized	Net	
2018	\$ 2,735,231	\$ -	\$ 2,735,231	\$ 1,019,508	\$ (691)	\$ 1,018,816	\$ 3,754,047
2019	2,743,896	-	2,743,896	919,285	(392)	918,893	3,662,789
2020	2,763,126	-	2,763,126	1,086,644	(135)	1,086,509	3,849,635
2021	2,783,770	-	2,783,770	713,071	-	713,071	3,496,841
2022	2,801,750	-	2,801,750	606,708	-	606,708	3,408,458
2023-2027	9,760,000	-	9,760,000	1,822,579	-	1,822,579	11,582,579
2028-2032	7,045,000	-	7,045,000	655,138	-	655,138	7,700,138
2033	460,000	-	460,000	13,800	-	13,800	473,800
Total	<u>\$31,092,773</u>	<u>\$ -</u>	<u>\$31,092,773</u>	<u>\$ 6,836,732</u>	<u>\$ (1,218)</u>	<u>\$ 6,835,514</u>	<u>\$37,928,287</u>

Year Ending June 30,	Business-Type Activities: Sewer						Total
	Principal			Interest			
	Gross	Subsidized	Net	Gross	Subsidized	Net	
2018	\$ 610,597	\$ (3,102)	\$ 607,495	\$ 198,937	\$ (1,798)	\$ 197,139	\$ 807,736
2019	608,632	(3,403)	605,230	183,945	(1,084)	182,861	791,493
2020	614,490	(3,650)	610,841	169,182	(486)	168,696	783,187
2021	623,228	(4,077)	619,151	154,524	(332)	154,192	777,420
2022	617,440	-	617,440	139,699	-	139,699	757,139
2023-2027	2,910,095	-	2,910,095	491,140	-	491,140	3,401,235
2028-2032	2,631,425	-	2,631,425	168,845	-	168,845	2,800,270
2033-2034	328,015	-	328,015	5,388	-	5,388	333,403
Total	<u>\$ 8,943,923</u>	<u>\$ (14,231)</u>	<u>\$ 8,929,692</u>	<u>\$ 1,511,659</u>	<u>\$ (3,700)</u>	<u>\$ 1,507,960</u>	<u>\$10,451,883</u>

Year Ending June 30,	Business-Type Activities: Water						Total
	Principal			Interest			
	Gross	Subsidized	Net	Gross	Subsidized	Net	
2018	\$ 553,800	\$ (81,850)	\$ 471,950	\$ 114,311	\$ (44,666)	\$ 69,645	\$ 623,445
2019	471,000	(81,477)	389,523	100,679	(45,156)	55,524	526,524
2020	480,000	(91,585)	388,415	68,478	(24,839)	43,639	523,639
2021	495,000	(93,465)	401,535	52,270	(20,828)	31,442	526,442
2022	494,000	(94,212)	399,788	37,790	(18,967)	18,823	512,823
2023-2024	630,000	(99,365)	530,635	17,495	(8,000)	9,495	639,495
Total	<u>\$ 3,123,800</u>	<u>\$ (541,955)</u>	<u>\$ 2,581,845</u>	<u>\$ 391,024</u>	<u>\$ (162,455)</u>	<u>\$ 228,568</u>	<u>\$ 3,352,368</u>

The following table includes authorized but unissued debt at June 30, 2017:

Waste water treatment plant	\$ 63,000
Land acquisition	<u>250,000</u>
	<u>\$ 313,000</u>

III. Other Information

A. Retirement System

Pension Plan Description – The Town contributes to the Retirement System, a cost-sharing multiple employer defined benefit pension plan for the Town and Maynard Housing Authority. The Retirement System was established under Chapter 32 of Massachusetts General Laws. The Retirement System is administered by the Town and is part of the reporting entity. Stand-alone financial statements for the year ended December 31, 2016 were issued and are available at the Retirement Office, 195 Main Street, Maynard, Massachusetts 01754.

Current membership in the Retirement System for all employers as of December 31, 2016 was as follows:

Active and inactive employees	277
Retirees and beneficiaries currently receiving benefits	<u>108</u>
	<u>385</u>

Benefit Terms – Membership in the Retirement System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Teachers and certain administrative personnel employed by the school department participate in a separate pension plan administered by the Massachusetts Teachers' Retirement System, which is the legal responsibility of the Commonwealth of Massachusetts. Members of the Retirement System do not participate in the federal Social Security retirement system.

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% of a participant's highest three-year or five-year average annual rate of regular compensation, depending on the participant's date of hire. Benefit payments are based upon a participant's age, length of creditable service, level of compensation and job classification.

The most common benefits paid by the Retirement System include normal retirement, disability retirement and survivor benefits.

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.

Ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. Accidental disability retirement is 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.

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

Cost-of-living adjustments granted to members of Massachusetts retirement systems granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth during those years have been the financial responsibility of the Commonwealth. Beginning in 1998, the funding of cost-of-living amounts became the responsibility of the participating units like the Retirement System.

Contributions Requirements – 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 pension plan 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.

The Town contributed \$2,007,354 to the Retirement System in fiscal year 2017, which equaled the actuarially-determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll was approximately 22% in fiscal year 2017.

Net Pension Liability – At June 30, 2017, the Town reported a liability of \$14,870,000 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These figures were updated by the independent actuary to December 31, 2016. Since its last actuarial valuation, the following material changes to actuarial assumptions were made:

- The January 1, 2015 valuation report reduced the discount rate (i.e., the Retirement System's investment return) from 7.75% to 7.50%; and
- Mortality rates for pre-retirement, post-retirement and disabilities were modified.

There were no material changes to the Retirement System's benefit terms since the last actuarial valuation.

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the Retirement System relative to the projected contributions of all employers. The Town's proportion was approximately 96.9% at December 31, 2016, which was fairly consistent with the proportion measured at December 31, 2015.

Fiduciary Net Position – The elements of the Retirement System's basic financial statements (that is, all information about the Retirement System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the fiduciary fund financial statements. The Retirement System's full financial statements as of and for the year ended December 31, 2016 can be obtained by contacting the Retirement Board.

The Retirement System's fiduciary net position was determined using the accrual basis of accounting. The Retirement System's accounting records are maintained on a calendar-year basis in accordance with the standards and procedures established by PERAC. Contributions from employers and employees are recognized in the period in which they become due pursuant to formal commitments, statutory or contractual requirements. Benefit payments (including refunds of employee contributions) are recorded when incurred, regardless of the timing of payment. Investments are reported at fair value; fair value is determined as the price one would receive in an orderly transaction between market participants at a measurement date.

Pension Expense – The Town recognized \$2,525,000 in pension expense in the statement of activities in fiscal year 2016.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (dollar amounts are in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 436
Changes of assumptions	1,636	-
Net difference between projected and actual earnings on pension plan investments	1,347	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>-</u>	<u>43</u>
	<u>\$ 2,983</u>	<u>\$ 479</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (dollar amounts are in thousands):

<u>Year ended June 30,</u>	
2017	\$ 730
2018	730
2019	842
2020	<u>202</u>
	<u>\$ 2,504</u>

Actuarial Valuation – The measurement of the Retirement System’s total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2015. The significant actuarial assumptions used in the January 1, 2015 actuarial valuation included:

Actuarial cost method:	Entry age normal
Amortization method:	Top appropriation increasing 6.0%
Remaining amortization period:	16 years
Asset valuation method:	Actuarial value, 5-year smoothing
Investment rate of return:	7.5% per annum
Projected salary increases:	Service based table with ultimate ranges of 4.25%, 4.50% and 4.75% for groups 1, 2 and 4, respectively
Cost of living adjustments:	3% on the first \$12,000 of benefits
Mortality rates:	Pre-retirement rates reflect the RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct). Post-retirement rates reflect the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct).

Disabled life mortality:

For disabled retirees, the mortality rate is assumed to be in accordance with RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2012 (gender distinct). It is assumed that 55% of pre-retirement deaths are job-related for group 1 and 2 members and 90% are job-related for group 4 members. For members retired under an Accidental Disability, 40% of deaths are assumed to be from the same cause as the disability.

The investment rate of return assumption is a long-term assumption and is based on capital market expectations by asset class, historical returns and professional judgment. The market expectations analysis used a building-block approach, which included expected returns by asset class and the target asset allocation.

The target allocation of the Retirement System’s investments by asset class is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>
Equity investments	55%
Fixed income investments	30%
Non-traditional asset classes	10%
Real estate	5%

The Retirement System’s investment policy targets an investment return that meets or exceeds the actuarial investment rate of return (currently 7.5%). This long-term expected rate of return is presented neither as an arithmetic or geometric means.

Discount Rate – The discount rate used to measure the total pension liability in the January 1, 2015 actuarial valuation report was 7.5%, which was a reduction from the previous discount rate of 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions, the Retirement System’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis – The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.5% as well as the Town’s proportionate share of the net pension liability using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate (dollar amounts are in thousands):

	<u>1% Decrease (6.5%)</u>	<u>Current Discount (7.5%)</u>	<u>1% Increase (8.5%)</u>
Town's proportionate share of the net pension liability	\$ 20,969	\$ 14,870	\$ 9,715

B. Massachusetts Teachers' Retirement System

Teachers and certain administrative employees of the Town's school department participate in the Massachusetts Teachers' Retirement System ("MTRS"), a cost-sharing multiple employer defined benefit pension plan. MTRS is managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. Like the Retirement System, MTRS was established under Chapter 32 of Massachusetts General Laws. The Commonwealth's legislature has the authority to amend or modify the MTRS's funding policies.

The Commonwealth is a nonemployer contributor to the MTRS and is legally responsible by statute for all actuarially determined employer contributions and future benefit requirements of the MTRS. Therefore, the Town is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

For the year ended June 30, 2017, the Commonwealth contributed \$1,830,940 to the MTRS on behalf of the Town. The Town's proportionate share of the collective MTRS net pension liability at this reporting date was 0.162811%, which was based on the actual, actuarially determined contribution made by the Commonwealth on behalf of the Town as a percentage of the total annual contribution made by the Commonwealth on behalf of all employers.

The table below presents the Town's proportionate share of the following (dollar amounts are in thousands):

	Paid (or assumed)		
	Commonwealth	On Behalf	Town
	Portion	of the Town	Portion
	<u> </u>	<u> </u>	<u> </u>
Net pension liability	\$ 36,401	\$ (36,401)	\$ -
Pension expense	3,713	(3,713)	-

The Town recognized \$3,713,149 in intergovernmental revenue and pension expense relative to this arrangement.

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

The Town administers a single-employer defined benefit healthcare plan (the "Plan"). The Plan provides health and life insurance benefits (other postemployment benefits) to current and future retirees, their dependents and beneficiaries in accordance with Massachusetts General Law Chapter 32B Section 20. 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 premium-based insurance program. The Plan does not issue a stand-alone financial report and is presented as a fiduciary fund in the Town's financial statements.

Under Chapter 32B Section 20 the Town Treasurer is the custodian of the Plan and since the Town has not designated a Board of Trustees, the Town Treasurer under this general law is also the Trustee, and as such is responsible for the general supervision of the management, investment and reinvestment of the Plan assets. Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule established in Chapter 203C and may, with the approval of the State Retiree Benefits Trust Fund Board of Trustees, be invested in the State Retiree Benefits Trust Fund established in Section 24 of Chapter 32A. Plan assets shall be segregated from other funds and shall not be subject to the claims of any general creditor of the Town.

For the year ended June 30, 2017, the Town records its net OPEB obligation under GASB Statement No. 45. However, additional note disclosures are also presented for the Town's OPEB Plan since those note disclosures are required under GASB Statement No. 74. All GASB 45 references and disclosures will be removed from the Town's financial statements in the fiscal year ended June 30, 2018 as they will no longer be applicable upon the Town's adoption of GASB Statement No. 75 in fiscal year 2018. Refer to item F of this Note III for additional details on current year and future year accounting pronouncements.

Plan Membership – Current membership in the Plan as of June 30, 2017 was as follows:

Inactive employees or beneficiaries receiving benefits	155
Active employees	<u>325</u>
	<u>480</u>

Contributions – The contribution requirements of Plan members and the Town are established and may be amended by the Town. Retirees contribute 25% of the calculated contribution through pension benefit deductions and the remainder of the 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 plus additional contributions in varying amounts annually. 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. 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	\$ 24,089,786
Annual required contribution ("ARC")	4,547,914
Adjustments to ARC	(346,901)
Contributions made	<u>(1,844,269)</u>
OPEB obligation at end of year	<u>\$ 26,446,530</u>

Trend information regarding the Town’s OPEB costs, the percentage of the annual OPEB cost contributed and the net OPEB obligation is as follows:

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed	Net OPEB Obligation
June 30, 2017	\$ 4,547,914	40.6%	\$ 26,446,530
June 30, 2016	4,554,584	36.7%	24,089,786
June 30, 2015	6,175,638	36.4%	21,476,435

The fiscal year 2017 AOPEBC was charged to the following functional programs: general government \$212,764; public safety \$903,607; education \$2,999,844; public works \$159,405; health and human services \$96,398; culture and recreation \$84,938; sewer \$45,479; and water \$45,479.

Funding Status and Funding Progress – The funded status of the Plan at June 30, 2017 for the most recent actuarial valuation performed as of July 1, 2016, was as follows:

Actuarial value of plan assets	\$ 1,068,125
Actuarial accrued liability (“AAL”)	46,464,541
Unfunded actuarial accrued liability (“UAAL”)	45,396,416
Funded ratio (actuarial value of plan assets/AAL)	2.3%
Covered payroll (annually payroll of active employees covered by the plan)	17,777,280
UAAL as a percentage of covered payroll	255.4%

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.

Investment Policy – The Plan does not have a formal investment policy at this time. The Plan invests its funds in permissible investments as stipulated by the Commonwealth.

Investment Rate of Return – For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 6.17%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability – The components of the net OPEB Liability of the Town at June 30, 2017 were as follows (dollar amounts are in thousands):

Total OPEB liability	\$ 59,454
Plan fiduciary net position	<u>(1,068)</u>
Net OPEB liability	<u>\$ 58,386</u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.80%

The net OPEB liability is not reported in the accompanying financial statements. It is presented herein as prescribed under GASB Statement No. 74. The Town will report its net OPEB liability beginning in fiscal year 2018 upon adoption of GASB Statement No. 75. The Town presently reports its OPEB obligation in its government-wide and proprietary funds financial statements in accordance with GASB Statement No, 45.

Actuarial Assumptions – The total OPEB liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Individual entry age normal
Amortization Period	21.75 years from June 30, 2017
Asset Valuation Method	Market value of assets as of reporting date
Healthcare cost trend rates	9.0% initial decreasing to an ultimate rate of 4.5% per annum in 2021
Salary increases	2.5% per annum
Investment rate of return	2.49% per annum (S&P Muni Bond 20-Year High Grade Index)
Mortality	For healthy participants, the mortality rates are from the RP-2000 Combined Fully Generational mortality table with a projected scale AA.
	For disabled retirees, the mortality rates are from the RP-2000 Combined mortality table set forward 3 years for males.

Long-term Expected Rate of Return – The long-term expected rate of return on OPEB plan investments was determined using the S&P Municipal Bond 20-Year High Grade Index as of July 1, 2016. The discount rate used in the June 30, 2017 valuation report was 2.49%.

Sensitivity Analysis – The following presents the net OPEB liability of the Town, as well as what the Town’s net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.49%) or one percentage-point higher (3.49%) than the current discount rate (dollar amounts are in thousands):

	1% Decrease (1.49%)	Current Discount (2.49%)	1% Increase (3.49%)
	<u> </u>	<u> </u>	<u> </u>
Net OPEB liability	\$ 68,334	\$ 58,386	\$ 50,398

The following presents the net OPEB liability of the Town, as well as what the Town’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage-point higher than the current healthcare cost trend rates (dollar amounts are in thousands):

	Healthcare Cost		
	1% Decrease (8.0% decreasing to 3.5%)	Trend Rates (9.0% decreasing to 4.5%)	1% Increase (10.0% decreasing to 5.5%)
Net OPEB liability	\$ 50,369	\$ 58,386	\$ 71,221

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, 2017, 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, 2017.

Appellate Tax Board – The Town has pending cases filed with the Massachusetts Appellate Tax Board of the Commonwealth of Massachusetts (“ATB”). In total, property values of approximately \$3.4 million are in dispute with the ATB, all of which pertained to commercial real estate. 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 June 2015, the GASB issued GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. GASB 74’s objective was to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The provisions of this Statement became effective for the Town in fiscal year 2017. The adoption of this Statement increased disclosures surrounding the Town’s OPEB plan and the means by which it reports its OPEB activities in its fiduciary funds.

In August 2015, the GASB issued GASB Statement No. 77, *Tax Abatement Disclosures*. GASB 77 required the disclosure of the terms of certain tax abatement agreements entered into by a government with individuals or entities. The provisions of this Statement became effective for the Town in fiscal year 2017. The adoption of this Statement did not have a material impact on the financial statements.

In December 2015, the GASB issued GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The provisions of GASB 78 were applicable to certain government pension plans that (i) are not administered as a trust by a state or local governmental pension plan, (ii) are shared between governmental and nongovernmental employees, and (iii) have not predominant state of local governmental employer. The provisions of this Statement became effective for the Town in fiscal year 2017. The adoption of this Statement did not have a material impact on the financial statements.

In January 2016, the GASB issued GASB Statement No. 80, *Blending Requirements for Certain Component Units*. The provisions of GASB 80 applied to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The provisions of this Statement became effective for the Town in fiscal year 2017. The adoption of this Statement did not have a material impact on the financial statements.

In March 2016, the GASB issued GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of GASB 73 was to address issues raised with respect to previously issued statements related to pensions. The provisions of this Statement became effective for the Town in fiscal year 2017. The adoption of this Statement did not have a material impact on the financial statements.

Future Year Implementations

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*. GASB 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2017 (fiscal year 2018). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In March 2016, the GASB issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of the Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2016 (fiscal year 2018) and should be applied retroactively. The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In November 2016, the GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. The objective of the Statement is to address accounting and financial reporting for certain asset retirement obligations that have legally enforceable liability associated with the retirement of a tangible capital asset. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2018 (fiscal year 2019). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of the Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2018 (fiscal year 2020). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In May 2017, the GASB issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of the Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2017 (fiscal year 2018). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefines the manner in which long-term leases are accounted and reported. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2019 (fiscal year 2021). 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, 2017, approximately 26% of revenues of the general fund were recognized from the Commonwealth of Massachusetts as well as the federal government.

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TOWN OF MAYNARD, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEAR ENDED JUNE 30, 2017**

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LAIBILITY
(dollar amounts are in thousands)

	Years Ended December 31,		
	2016	2015	2014
Town's proportion of the net pension liability (asset)	96.90%	97.20%	97.10%
Town's proportionate share of the net pension liability (asset)	\$ 14,870	\$ 15,203	\$ 10,962
Town's covered-employee payroll	\$ 9,285	\$ 9,285	\$ 7,932
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	160.2%	163.7%	138.2%
Plan fiduciary net position as a percentage of the total pension liability	72.00%	70.10%	71.50%

SCHEDULE OF THE TOWN CONTRIBUTIONS TO PENSION PLAN
(dollar amounts are in thousands)

	Years Ended December 31,		
	2016	2015	2014
Actuarially determined contribution	\$ 2,007	\$ 1,900	\$ 1,791
Contributions in relation to the actuarially determined contribution	<u>2,007</u>	<u>1,900</u>	<u>1,791</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 9,285	\$ 9,285	\$ 7,932
Contributions as a percentage of covered-employee payroll	21.6%	20.5%	22.6%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditor's report.

TOWN OF MAYNARD, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - MTRS
YEAR ENDED JUNE 30, 2017**

SCHEDULE OF THE COMMONWEALTH'S COLLECTIVE SHARE OF THE NET PENSION LIABILITY
(dollar amounts are in thousands)

	<u>2016</u>	<u>Year Ended June 30,</u>	
		<u>2015</u>	<u>2014</u>
Commonwealth's proportion of the collective net pension liability (asset)	100.0%	100.0%	100.0%
City's proportion of the collective net pension liability (asset)	0.0%	0.0%	0.0%
Commonwealth's proportionate share of the net pension liability (asset)	\$ 22,357,928	\$ 20,489,643	\$ 15,896,354
Commonwealth's actuarially determined contribution	\$ 1,124,583	\$ 1,021,930	\$ 937,379

Contributions to MTRS are the responsibility of the Commonwealth of Massachusetts.

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, information is presented for those years in which information is available.

See accompanying independent auditor's report.

TOWN OF MAYNARD, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - OPEB
 YEAR ENDED JUNE 30, 2017

SCHEDULES OF FUNDING PROGRESS

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)
7/1/2016	\$ 1,068,125	\$ 46,464,542	\$ 45,396,417	2.3%	\$ 17,777,280	255%
7/1/2014	937,648	44,783,428	44,783,428	2.1%	17,219,712	260%
7/1/2012	-	57,748,120	57,748,120	0.0%	16,399,822	352%

SCHEDULES OF CONTRIBUTION FUNDING

Other Postemployment Benefits

Year Ended June 30,	Annual OPEB Cost	Actual Contributions	Percentage Contributed
2017	\$ 4,201,013	\$ 1,844,269	43.9%
2016	4,554,584	1,670,974	36.7%
2015	4,331,749	1,577,283	36.4%

See accompanying independent auditors' report.

TOWN OF MAYNARD, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEAR ENDED JUNE 30, 2017**

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	<u>2017</u>
Total OPEB liability:	
Service cost	\$ 2,957,436
Interest	1,530,211
Benefit payments	<u>(1,927,003)</u>
Net change in total OPEB liability	2,560,644
Total OPEB liability - beginning of year	<u>56,893,788</u>
Total OPEB liability - end of year (a)	<u><u>\$ 59,454,432</u></u>
Plan fiduciary net position:	
Contributions - employer	\$ 100,000
Net investment income	<u>53,378</u>
Net change in Plan fiduciary net position	153,378
Plan fiduciary net position - beginning of year	<u>937,648</u>
Plan fiduciary net position - end of year (b)	<u><u>\$ 1,091,026</u></u>
Net OPEB liability - end of year (a) - (b)	<u><u>\$ 58,363,406</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	1.84%
Covered-employee payroll	\$ 18,677,255
Net OPEB liability as a percentage of covered- employee payroll	312.48%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

Note: This schedule is presented using the optional format of combining the required schedules in paragraph 36a and 36b of GASB Statement No. 74.

See accompanying independent auditor's report.

TOWN OF MAYNARD, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEAR ENDED JUNE 30, 2017**

SCHEDULE OF CONTRIBUTIONS

	<u>2017</u>
Actuarially-determined contribution	\$ 4,547,914
Contributions in relation to the actuarially-determined contribution	<u>(1,844,269)</u>
Contribution deficiency (excess)	<u>\$ 2,703,645</u>
Covered-employee payroll	\$ 18,677,255
Contribution as a percentage of covered-employee payroll	9.9%

Notes to Schedule

Valuation Date	July 1, 2016
Actuarial Cost Method	Individual entry age normal
Amortization Period	21.75 years from June 30, 2017
Asset Valuation Method	Market value of assets as of reporting date
Healthcare cost trend rates	9.0% initial decreasing to an ultimate rate of 4.5% per annum in 2021
Salary increases	2.5% per annum
Investment rate of return	2.49% per annum (S&P Muni Bond 20-Year High Grade Index)
Mortality	For healthy participants, the mortality rates are from the RP-2000 Combined Fully Generational mortality table with a projected scale AA. For disabled retirees, the mortality rates are from the RP-2000 Combined mortality table set forward 3 years for males.

SCHEDULE OF INVESTMENT RETURNS

	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	6.17%

Note: These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

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, 2017

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
Revenues:						
Real estate and personal property	\$ 29,244,038	\$ 29,244,038	\$ 28,906,578	\$ -	\$ 28,906,578	\$ (337,460)
Intergovernmental	7,314,401	7,314,401	7,507,931	-	7,507,931	193,530
Motor vehicle and other excises	1,253,000	1,253,000	1,315,189	-	1,315,189	62,189
Licenses and permits	470,000	470,000	368,409	-	368,409	(101,591)
Departmental and other revenue	498,000	498,000	486,973	-	486,973	(11,027)
Penalties and interest	188,000	188,000	206,885	-	206,885	18,885
Investment income	20,000	20,000	19,550	-	19,550	(450)
Total Revenues	<u>38,987,439</u>	<u>38,987,439</u>	<u>38,811,515</u>	<u>-</u>	<u>38,811,515</u>	<u>(175,924)</u>
Expenditures:						
General government	3,011,664	3,011,664	2,475,437	219,298	2,694,735	316,929
Public safety	4,862,111	4,862,111	4,720,615	55,097	4,775,712	86,399
Education	17,853,738	18,128,738	17,727,953	389,438	18,117,391	11,347
Public works	2,200,667	2,585,667	2,181,624	15,560	2,197,184	388,483
Health and human services	540,857	540,857	524,868	5,663	530,531	10,326
Culture and recreation	538,012	538,012	531,984	5,229	537,213	799
Fringe and pension benefits	7,550,181	7,550,181	7,134,129	58,794	7,192,923	357,258
State and county tax assessments	568,695	568,695	641,287	-	641,287	(72,592)
Debt service	3,787,073	3,787,073	3,783,307	-	3,783,307	3,766
Total Expenditures	<u>40,912,998</u>	<u>41,572,998</u>	<u>39,721,204</u>	<u>\$ 749,079</u>	<u>40,470,283</u>	<u>1,102,715</u>
Other Financing Sources (Uses):						
Transfers in	1,323,147	1,323,147	1,323,147		1,323,147	-
Transfers out	(244,470)	(911,122)	(911,122)		(911,122)	-
Total Other Financing Sources (Uses)	<u>1,078,677</u>	<u>412,025</u>	<u>412,025</u>		<u>412,025</u>	<u>-</u>
(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE						
	<u>(846,882)</u>	<u>(2,173,534)</u>	<u>\$ (497,664)</u>		<u>\$ (1,246,743)</u>	<u>\$ 926,791</u>
Other Budgetary Items:						
Prior year encumbrances	455,871	455,871				
Free cash transfers	300,000	1,626,652				
Other	91,011	91,011				
Total Other Budgetary Items	<u>846,882</u>	<u>2,173,534</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, 2017**

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, 2017, is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues on a budgetary basis			\$ 38,811,515
On behalf payments	\$ 3,713,149	\$ -	3,713,149
Revenue recognition - 60 day receivable effect	(10,345)	-	(10,345)
Stabilization interest - GASB 54 impact	-	36,464	36,464
Revenues on a GAAP basis	<u>\$ 3,702,804</u>	<u>\$ 36,464</u>	<u>\$ 42,550,783</u>
Expenditures on a budgetary basis			\$ 39,821,204
Effect of indirect costs	\$ (794,268)	\$ -	(794,268)
OPEB transfers recorded as benefits	100,000	-	100,000
Effect of refunding	(38,098)	-	(38,098)
On behalf payments	3,713,149	-	3,713,149
Expenditures on a GAAP basis	<u>\$ 2,980,783</u>	<u>\$ -</u>	<u>\$ 42,801,987</u>
Net transfers on a budgetary basis			\$ 412,025
Stabilization transfers - GASB 54 impact	\$ -	\$ (589,915)	(589,915)
Effect of indirect costs	(794,268)	-	(794,268)
Effect of refunding	61,902	-	61,902
OPEB transfers recorded as benefits	100,000	-	100,000
Net transfers on a GAAP basis	<u>\$ (632,366)</u>	<u>\$ (589,915)</u>	<u>\$ (810,256)</u>