

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF MAYNARD, MASSACHUSETTS

Report on Examination of
Basic Financial Statements
and Additional Information

Year Ended June 30, 2018



TOWN OF MAYNARD, MASSACHUSETTS

TABLE OF CONTENTS YEAR ENDED JUNE 30, 2018

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 – 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 – 11
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements	
Balance Sheet – Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Net Position – Proprietary Funds	18
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	19
Statement of Cash Flows – Proprietary Funds	20
Statement of Fiduciary Net Position – Fiduciary Funds	21
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	22
Notes to Basic Financial Statements	23 – 52
REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED:	
Schedule of Town's Proportionate Share of the Net Pension Liability	53
Schedule of Town's Contributions to Pension Plan	53
Schedule of the Commonwealth's Collective Share of the Massachusetts Teachers' Retirement System Net Pension Liability	54
Schedule of Changes in Net OPEB Liability and Related Ratios	55
Schedule of OPEB Contributions	56
Schedule of Investment Returns – OPEB Plan	56
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	57
Notes to Required Supplementary Information	58



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, 2018 (except for the Maynard Contributory Retirement System "the Retirement System," which is as of December 31, 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.

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 auditors consider 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, 2018, (except for the Retirement System, which is as of December 31, 2017) and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Restatement

We audited the Town's basic financial statements for the year ended June 30, 2017, for which we issued an unmodified opinion dated December 4, 2017. As discussed in Note V to the financial statements, the Town adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in fiscal year 2018. In connection with the adoption of this accounting standard, previously reported total net positions in the governmental activities and business-type activities in the Statement of Net Position as well as those in the proprietary funds were restated. Additionally, the Town reclassified \$188,794 in private purpose trust balances previously reported within its permanent funds balance to its fiduciary trust funds. Our opinion was not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules listed under the required supplementary information section in the accompanying 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 November 2, 2018 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
November 2, 2018

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, 2018. 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 adopted a new accounting pronouncement related to other postemployment benefits, or OPEB, in fiscal year 2018. As a result, beginning net positions in the Town's governmental activities and business-type activities decreased approximately \$26.1 million and \$1.3 million, respectively.
- 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 \$13.8 million (*total net position*).
- The Town's total net position decreased by approximately \$66,000 year-over-year. The net position in governmental activities decreased approximately \$1,341,000 while the net position in business-type activities increased over \$1,275,00. Included in the governmental activities was over \$2.2 million in non-cash expenses related to OPEB and additional pension expense that were recorded on a GAAP basis. The increase in the net position in business-type activities was due to the implementation of mid-year utility rate increases in both sewer and water enterprise funds as well as increased user consumption in fiscal year 2018.
- The Town's total long-term debt in its governmental activities and business-type activities in aggregate decreased by over \$3.9 million in 2018. The Town's total long-term debt was approximately \$39.4 million at June 30, 2018.
- 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 \$13.8 million, which was approximately \$90,000 higher than the prior year. Of the ending fund balance approximately \$5.6 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 2018 general fund expenditures.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the Town's assets and deferred outflows of resources and its liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. 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, 2018</u>	<u>June 30, 2017 (a)</u>	<u>June 30, 2018</u>	<u>June 30, 2017 (a)</u>	<u>June 30, 2018</u>	<u>June 30, 2017 (a)</u>
<u>Assets</u>						
Current and other assets	\$ 21,835,052	\$ 23,615,308	\$ 5,651,738	\$ 4,911,013	\$ 27,486,790	\$ 28,526,321
Capital assets, net	<u>77,823,037</u>	<u>78,739,945</u>	<u>21,583,090</u>	<u>22,285,211</u>	<u>99,406,127</u>	<u>101,025,156</u>
Total assets	<u>99,658,089</u>	<u>102,355,253</u>	<u>27,234,828</u>	<u>27,196,224</u>	<u>126,892,917</u>	<u>129,551,477</u>
<u>Deferred Outflows of Resources</u>						
Pensions	<u>3,422,538</u>	<u>2,881,578</u>	<u>120,462</u>	<u>101,422</u>	<u>3,543,000</u>	<u>2,983,000</u>
<u>Liabilities</u>						
Long-term liabilities	91,930,439	99,457,081	13,122,270	14,474,405	105,052,709	113,931,486
Other liabilities	<u>2,892,551</u>	<u>3,951,551</u>	<u>143,854</u>	<u>282,636</u>	<u>3,036,405</u>	<u>4,234,187</u>
Total liabilities	<u>94,822,990</u>	<u>103,408,632</u>	<u>13,266,124</u>	<u>14,757,041</u>	<u>108,089,114</u>	<u>118,165,673</u>
<u>Deferred Inflows of Resources</u>						
Pensions and OPEB	<u>8,233,318</u>	<u>462,714</u>	<u>289,785</u>	<u>16,286</u>	<u>8,523,103</u>	<u>479,000</u>
<u>Net Position</u>						
Net investment in capital assets	53,315,173	52,342,947	10,679,764	10,217,488	63,994,937	62,560,435
Restricted	12,243,195	12,604,837	-	-	12,243,195	12,604,837
Unrestricted	<u>(65,534,049)</u>	<u>(63,582,299)</u>	<u>3,119,617</u>	<u>2,306,831</u>	<u>(62,414,432)</u>	<u>(61,275,468)</u>
Net Position	<u>\$ 24,319</u>	<u>\$ 1,365,485</u>	<u>\$ 13,799,381</u>	<u>\$ 12,524,319</u>	<u>\$ 13,823,700</u>	<u>\$ 13,889,804</u>

(a) As restated for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and the reclassification of certain trusts to private purpose trust funds, which are reported in the fiduciary funds financial statements.

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 approximately \$66,000 year-over-year. The net position in governmental activities decreased by approximately \$1,341,000 while the net position in business-type activities increased by over \$1,275,000.

Included in the governmental activities was approximately \$2.2 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 2018 due to mid-year utility rate increases in both sewer and water enterprise funds as well as increased user consumption in fiscal year 2018.

The largest portion (\$64.0 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 (\$12.2 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. The Town reports a deficit unrestricted net position of over \$65.5 million in its governmental activities and a positive unrestricted net position of approximately \$3.1 million in its business-type 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 \$49.0 million net OPEB liability and \$12.4 million net pension liability at June 30, 2018. The Town expects that its deficit in unrestricted net position will continue to increase for the foreseeable future primarily due to OPEB.

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, 2018	June 30, 2017 (b)	June 30, 2018	June 30, 2017 (b)	June 30, 2018	June 30, 2017 (b)
<u>Revenues</u>						
Program revenues:						
Charges for services	\$ 4,564,855	\$ 3,352,242	\$ 6,131,266	\$ 4,555,789	\$ 10,696,121	\$ 7,908,031
Operating grants and contributions	10,795,757	10,480,228	-	-	10,795,757	10,480,228
Capital grants and contributions	744,249	1,468,028	46,464	52,379	790,713	1,520,407
General revenues:						
Property taxes	30,587,674	29,249,923	-	-	30,587,674	29,249,923
Intergovernmental	1,569,461	1,635,040	-	-	1,569,461	1,635,040
Other	<u>1,568,552</u>	<u>1,438,367</u>	<u>(5,493)</u>	<u>9,736</u>	<u>1,563,059</u>	<u>1,448,103</u>
Total revenues	<u>49,830,548</u>	<u>47,623,828</u>	<u>6,172,237</u>	<u>4,617,904</u>	<u>56,002,785</u>	<u>52,241,732</u>
<u>Expenses</u>						
General government	3,089,222	3,333,901	-	-	3,089,222	3,333,901
Public safety	8,301,180	8,270,734	-	-	8,301,180	8,270,734
Education	33,975,592	32,667,749	-	-	33,975,592	32,667,749
Public works	2,991,064	2,767,315	-	-	2,991,064	2,767,315
Health and human services	650,249	670,377	-	-	650,249	670,377
Culture and recreation	1,188,814	1,033,690	-	-	1,188,814	1,033,690
Debt service	975,593	1,174,618	-	-	975,593	1,174,618
Sewer	-	-	2,774,366	2,881,037	2,774,366	2,881,037
Water	-	-	2,122,809	1,674,949	2,122,809	1,674,949
Total expenses	<u>51,171,714</u>	<u>49,918,384</u>	<u>4,897,175</u>	<u>4,555,986</u>	<u>56,068,889</u>	<u>54,474,370</u>
Change in net position before transfers	(1,341,166)	(2,294,556)	1,275,062	61,918	(66,104)	(2,232,638)
Transfers	-	(244,470)	-	244,470	-	-
Change in net position	(1,341,166)	(2,539,026)	1,275,062	306,388	(66,104)	(2,232,638)
Net position, beginning of year	1,365,485	30,239,864	12,524,319	13,521,485	13,889,804	43,761,349
Restatement (a)	-	(26,335,353)	-	(1,303,554)	-	(27,638,907)
Net position, end of year	<u>\$ 24,319</u>	<u>\$ 1,365,485</u>	<u>\$ 13,799,381</u>	<u>\$ 12,524,319</u>	<u>\$ 13,823,700</u>	<u>\$ 13,889,804</u>

(a) As restated for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and the reclassification of certain trusts to private purpose trust funds, which are reported in the fiduciary funds financial statements.

(b) Municipal services expenses were reclassified in fiscal year 2017 from health and human services to general government.

Governmental Activities – Total revenues in fiscal year 2018 in the Town’s governmental activities increased over \$2.2 million, or 4.6%, from fiscal year 2017. Property taxes continue to represent the majority of total revenues in governmental activities; property taxes represented over 61% of total fiscal year 2018 governmental activities revenues, which is consistent with the prior year’s ratio. Property taxes increased nearly \$1.4 million, or 4.6%, year-over-year. This increase was due to Prop 2 ½ as well as new growth. Operating grants increased approximately \$316,000, or 3.0%, year-over-year. No other revenue sources were greater than 10% of total revenues in fiscal years 2018 or 2017.

Education represents the largest expense category for the Town. In fiscal years 2018 and 2017, education expenses represented approximately 66% and 65% of total expenses in governmental activities, respectively. Public safety expenses represented 16% of total fiscal year 2018 and 2017 expenses, respectively. No other expense types were greater than 10% of total expenses in fiscal years 2018 or 2017.

Business-Type Activities – User charges for sewer and water services represent virtually all of the fiscal year 2018 and 2017 revenues in the Town’s business-type activities. These enterprises implemented mid-year utility rate increases of approximately 20%. This rate increase coupled with significant growth in end user consumption resulted in a 35% increase in user charges.

Total business-type expenditures increased over \$341,000, or 7.5%, year-over-year. A significant portion of this increase was due to significant, noncapitalizable repairs made in the water enterprise.

Both the sewer and water enterprises reported positive results of operation in 2018.

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 over \$5.6 million, while total general fund balance was nearly \$6.5 million. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents over 12.6% of total general fund expenditures, while total fund balance represents approximately 14.6% of that same amount.

The decrease in the fund balance in the general fund was due primarily to significant transfers in 2018 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 \$198,000 decrease in fund balance. This decrease was due primarily to a \$250,000 transfer to the Town’s newly formed affordable housing trust.

The Town’s aggregate nonmajor funds include the Town’s special revenue funds, capital projects and trust funds. The nonmajor funds reported an approximately \$675,000 increase in fund balance, primarily as a result of the timing of 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 \$6.6 million and net position of the water fund amounted to approximately \$7.2 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, 2017, increased over \$6.4 million as a result of strong investment performance in 2017. The Town contributed \$50,000 to its OPEB trust fund in 2018, which together with the positive investment returns in 2018 resulted in an approximately \$103,000 increase in net position. In fiscal year 2018, expenditures from private purpose trust funds, which was nearly all for scholarships, outpaced contributions and investment income; this resulted in a decrease of over \$11,000 in net position in the private purpose trust funds.

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, 2018, amounted to approximately \$99.4 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. In fiscal year 2018, depreciation expense outpaced capital additions, which resulted in a \$1.6 million decrease in net capital assets.

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, 2018, the Town had total long-term debt outstanding of approximately \$39.4 million. Of this amount approximately \$28.5 million represents general obligation bonds of governmental activities and approximately \$10.9 million represents general obligation bonds and notes of business-type activities.

The Town’s total long-term debt had a net decrease of approximately \$3.9 million in fiscal year 2018.

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

- Net state aid for fiscal year 2019 is expected to increase by over \$237,000.
- The median household income of the Town is approximately 27% greater than the state-wide 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 2018 tax rate was approximately 89% 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, development has begun on a mixed-use project on fifty-eight 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 2019 at the May 2018 Town Meeting. The Town expects to set its fiscal year 2019 property tax rate in December 2018.

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, 2018**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 12,340,553	\$ 2,370,621	\$ 14,711,174
Investments	3,594,253	546,274	4,140,527
Receivables, net of allowance for uncollectible accounts:			
Property taxes	1,139,769	-	1,139,769
User fees	-	2,263,609	2,263,609
Departmental and other	377,573	-	377,573
Intergovernmental	4,382,904	471,234	4,854,138
Capital assets not being depreciated	4,589,699	-	4,589,699
Capital assets, net of depreciation	73,233,338	21,583,090	94,816,428
Total Assets	99,658,089	27,234,828	126,892,917
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	3,422,538	120,462	3,543,000
LIABILITIES			
Current liabilities:			
Warrants and accounts payable	1,302,134	53,275	1,355,409
Accrued payroll and related expenses	1,131,668	-	1,131,668
Accrued interest expense	445,134	90,579	535,713
Other	13,615	-	13,615
Noncurrent liabilities:			
Due in one year or less	3,759,396	1,108,066	4,867,462
Due in more than one year	88,171,043	12,014,204	100,185,247
Total Liabilities	94,822,990	13,266,124	108,089,114
DEFERRED INFLOWS OF RESOURCES			
Other postemployment benefits	5,214,568	183,535	5,398,103
Pensions	3,018,750	106,250	3,125,000
Total Deferred Inflows of Resources	8,233,318	289,785	8,523,103
NET POSITION			
Net investment in capital assets	53,315,173	10,679,764	63,994,937
Restricted for:			
Nonexpendable funds	23,705	-	23,705
Expendable funds	1,037,538	-	1,037,538
Capital projects	2,324,475	-	2,324,475
Restricted for debt service	4,110,796	-	4,110,796
Other	4,746,681	-	4,746,681
Unrestricted	(65,534,049)	3,119,617	(62,414,432)
Total Net Position	\$ 24,319	\$ 13,799,381	\$ 13,823,700

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018**

	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 6,167,441	\$ 707,281	\$ 5,465,831	\$ 12,340,553
Investments	2,539,100	-	1,055,153	3,594,253
Receivables, net of allowance				
Property taxes	1,137,901	1,868	-	1,139,769
Excise taxes and other	319,936	-	57,637	377,573
Due from other governments	4,110,796	-	272,108	4,382,904
Total Assets	<u>14,275,174</u>	<u>709,149</u>	<u>6,850,729</u>	<u>21,835,052</u>
Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 14,275,174</u>	<u>\$ 709,149</u>	<u>\$ 6,850,729</u>	<u>\$ 21,835,052</u>
Liabilities				
Warrants and accounts payable	\$ 1,093,010	\$ 110	\$ 209,014	\$ 1,302,134
Accrued payroll and related expenses	1,131,668	-	-	1,131,668
Other liabilities	13,615	-	-	13,615
Total Liabilities	<u>2,238,293</u>	<u>110</u>	<u>209,014</u>	<u>2,447,417</u>
Deferred Inflows of Resources				
Unavailable revenues - property taxes	1,119,194	1,868	-	1,121,062
Unavailable revenues - excise taxes and other	319,936	-	57,637	377,573
Unavailable revenues - intergovernmental	4,110,796	-	-	4,110,796
Total deferred inflows of resources	<u>5,549,926</u>	<u>1,868</u>	<u>57,637</u>	<u>5,609,431</u>
Fund Balances				
Nonspendable	-	-	23,705	23,705
Restricted	477,668	707,171	4,244,333	5,429,172
Committed	39,755	-	2,316,040	2,355,795
Assigned	363,482	-	-	363,482
Unassigned	5,606,050	-	-	5,606,050
Total Fund Balances	<u>6,486,955</u>	<u>707,171</u>	<u>6,584,078</u>	<u>13,778,204</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 14,275,174</u>	<u>\$ 709,149</u>	<u>\$ 6,850,729</u>	<u>\$ 21,835,052</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, 2018

Total Governmental Fund Balances		\$ 13,778,204
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		77,823,037
Other long-term assets are not available to pay for current-period expenditures and are therefore unavailable within the funds.		5,609,431
Deferred outflows and inflows of resources to be recognized in future pension expense are not available resources and therefore are not reported in the funds:		
Deferred outflows of resources - pensions	3,422,538	
Deferred inflows of resources - other postemployment benefits	(5,214,568)	
Deferred inflows of resources - pensions	(3,018,750)	
Net effect of reporting deferred outflows and inflows of resources		(4,810,780)
In the statement of net position, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.		(445,134)
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	(28,357,542)	
Premium received from issuance of long-term debt	(147,400)	
Capital lease obligation	(113,718)	
Compensated absences	(1,883,341)	
Other postemployment benefits	(49,006,644)	
Net pension liability	(12,421,794)	
Net effect of reporting long-term liabilities		(91,930,439)
Fund Balances of Governmental Activities		<u>\$ 24,319</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, 2018**

	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Real estate and personal property taxes, net	\$ 30,320,625	\$ 261,522	\$ -	\$ 30,582,147
Intergovernmental	11,439,912	43,310	2,358,460	13,841,682
Motor vehicle and other excises	1,470,644	-	-	1,470,644
Departmental and other revenue	1,187,907	-	2,629,166	3,817,073
License and permits	668,057	-	-	668,057
Penalties and interest on taxes	93,108	-	-	93,108
Fines and forfeitures	84,104	-	-	84,104
Investment income	10,369	1,178	(26,343)	(14,796)
Contributions and donations	-	-	19,520	19,520
Total Revenues	<u>45,274,726</u>	<u>306,010</u>	<u>4,980,803</u>	<u>50,561,539</u>
Expenditures				
Current:				
General government	2,160,731	1,939	233,385	2,396,055
Public safety	4,872,126	-	408,808	5,280,934
Education	19,055,287	42,882	3,697,740	22,795,909
Public works	1,971,552	-	1,147,243	3,118,795
Health and human services	212,441	32,366	20,128	264,935
Culture and recreation	588,071	54,561	229,376	872,008
Pensions and other fringe benefits	11,107,095	-	-	11,107,095
State and county tax assessments	825,302	-	-	825,302
Debt service:				
Principal	2,645,231	90,000	-	2,735,231
Interest	1,043,127	31,900	-	1,075,027
Total Expenditures	<u>44,480,963</u>	<u>253,648</u>	<u>5,736,680</u>	<u>50,471,291</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>793,763</u>	<u>52,362</u>	<u>(755,877)</u>	<u>90,248</u>
Other Financing Sources (Uses):				
Transfers in	709,980	-	2,140,902	2,850,882
Transfers out	(1,890,902)	(250,000)	(709,980)	(2,850,882)
Total Other Financing Sources (Uses)	<u>(1,180,922)</u>	<u>(250,000)</u>	<u>1,430,922</u>	<u>-</u>
Net Change in Fund Balances	(387,159)	(197,638)	675,045	90,248
Fund Balances - Beginning of year (a)	<u>6,874,114</u>	<u>904,809</u>	<u>5,909,033</u>	<u>13,687,956</u>
Fund Balances - End of year	<u>\$ 6,486,955</u>	<u>\$ 707,171</u>	<u>\$ 6,584,078</u>	<u>\$ 13,778,204</u>

(a) The beginning fund balance in the nonmajor governmental funds was restated. See Note V.

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, 2018**

Net Change in Fund Balances - Total Governmental Fund Balances **\$ 90,248**

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	\$ 2,201,448	
Depreciation expense	(3,118,356)	
Net effect of reporting fixed assets		(916,908)

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 amounts presented here as reconciling items represent repayments on long-term debt in the fiscal year:

Borrowings under capital lease obligation	(174,825)	
Payments on capital lease obligation	61,107	
Repayments on long-term debt	2,735,231	
Amortization of premium received from issuance of long-term debt	19,356	
Net effect of reporting long-term debt		2,640,869

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. 58,618

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 revenues for various types of accounts receivable differ between the two statements. The amount presented represents the differences derived from unavailable revenues. (870,121)

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	(114,367)	
Other postemployment benefits	(2,157,055)	
Net pension liability	(72,450)	
Net effect of reporting long-term liabilities		(2,343,872)

Net Change in Fund Balances of Governmental Activities **\$ (1,341,166)**

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018**

	Business-Type Activities - Enterprise Funds		
	Sewer	Water	Totals
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,110,342	\$ 1,260,279	\$ 2,370,621
Investments	155,429	390,845	546,274
User charges receivable	1,393,062	870,547	2,263,609
Due from other governments	3,403	81,477	84,880
Total current assets	<u>2,662,236</u>	<u>2,603,148</u>	<u>5,265,384</u>
Noncurrent assets:			
Due from other governments	7,726	378,628	386,354
Capital assets, net of accumulated depreciation	13,241,545	8,341,545	21,583,090
Total noncurrent assets	<u>13,249,271</u>	<u>8,720,173</u>	<u>21,969,444</u>
Total Assets	<u>15,911,507</u>	<u>11,323,321</u>	<u>27,234,828</u>
Deferred Outflows of Resources			
Pensions	42,516	77,946	120,462
Liabilities			
Current liabilities:			
Warrants payable and other liabilities	16,408	36,867	53,275
Accrued interest expense	81,646	8,933	90,579
Bond and note indebtedness	608,632	471,000	1,079,632
Compensated absences	12,812	15,622	28,434
Total current liabilities	<u>719,498</u>	<u>532,422</u>	<u>1,251,920</u>
Noncurrent liabilities:			
Bond and note indebtedness	7,724,694	2,099,000	9,823,694
Compensated absences	12,811	15,622	28,433
Other postemployment benefits	608,778	1,116,093	1,724,871
Net pension liability	154,308	282,898	437,206
Total noncurrent liabilities	<u>8,500,591</u>	<u>3,513,613</u>	<u>12,014,204</u>
Total Liabilities	<u>9,220,089</u>	<u>4,046,035</u>	<u>13,266,124</u>
Deferred Inflows of Resources			
Other postemployment benefits	64,777	118,758	183,535
Pensions	37,500	68,750	106,250
Total deferred inflows of resources	<u>102,277</u>	<u>187,508</u>	<u>289,785</u>
Net Position			
Invested in capital assets	4,908,219	5,771,545	10,679,764
Unrestricted	1,723,438	1,396,179	3,119,617
Total Net Position	<u>\$ 6,631,657</u>	<u>\$ 7,167,724</u>	<u>\$ 13,799,381</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, 2018**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
Operating Revenues			
User charges	\$ 3,737,206	\$ 2,394,060	\$ 6,131,266
Operating Expenses			
Operating costs	2,004,783	1,583,690	3,588,473
Depreciation	570,861	437,180	1,008,041
Total Operating Expenses	<u>2,575,644</u>	<u>2,020,870</u>	<u>4,596,514</u>
Total Operating Income	<u>1,161,562</u>	<u>373,190</u>	<u>1,534,752</u>
Nonoperating Income (Expenses)			
Intergovernmental revenues	1,798	44,666	46,464
Interest income	(1,644)	(3,849)	(5,493)
Interest expense	(198,722)	(101,939)	(300,661)
Total Nonoperating Revenues (Expenses), net	<u>(198,568)</u>	<u>(61,122)</u>	<u>(259,690)</u>
Change in Net Position	962,994	312,068	1,275,062
Net Position - Beginning of year (as restated; see Note VI)	<u>5,668,663</u>	<u>6,855,656</u>	<u>12,524,319</u>
Net Position - End of year	<u>\$ 6,631,657</u>	<u>\$ 7,167,724</u>	<u>\$ 13,799,381</u>

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018**

	Business-Type Activities - Enterprise Funds		
	Sewer	Water	Totals
Cash Flows from Operating Activities			
Receipts from users	\$ 3,620,715	\$ 2,326,604	\$ 5,947,319
Payments to employees	(158,143)	(208,256)	(366,399)
Payments to vendors	(1,899,120)	(1,385,979)	(3,285,099)
Net Cash Provided by Operating Activities	<u>1,563,452</u>	<u>732,369</u>	<u>2,295,821</u>
Cash Flows from Capital and Related Financing Activities			
Grant received from Commonwealth	4,900	126,517	131,417
Acquisition and construction of capital assets	(305,921)	-	(305,921)
Principal payments on bonds	(610,597)	(553,800)	(1,164,397)
Interest paid	(203,823)	(105,874)	(309,697)
Net Cash Used for Capital and Related Financing Activities	<u>(1,115,441)</u>	<u>(533,157)</u>	<u>(1,648,598)</u>
Cash Flows from Investing Activities			
Return of investments of operating cash	(20,941)	(52,659)	(73,600)
Investment income	(1,644)	(3,849)	(5,493)
Net Cash Used for Investing Activities	<u>(22,585)</u>	<u>(56,508)</u>	<u>(79,093)</u>
Net Change in Cash and Cash Equivalents	425,426	142,704	568,130
Cash and Cash Equivalents			
Beginning of year	<u>684,916</u>	<u>1,117,575</u>	<u>1,802,491</u>
End of year	<u>\$ 1,110,342</u>	<u>\$ 1,260,279</u>	<u>\$ 2,370,621</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:			
Operating income	\$ 1,161,562	\$ 373,190	\$ 1,534,752
Depreciation	570,861	437,180	1,008,041
Changes in assets and liabilities:			
Receivables	(116,491)	(67,456)	(183,947)
Warrants payable and accrued expenses	(52,480)	(10,545)	(63,025)
Net Cash Provided by Operating Activities	<u>\$ 1,563,452</u>	<u>\$ 732,369</u>	<u>\$ 2,295,821</u>

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018

	Pension Trust Fund (a)	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds	Agency Funds
Assets				
Cash and cash equivalents	\$ 505,029	\$ 7,095	\$ 271,933	\$ 429,015
Investments, at fair value	45,314,351	1,192,219	1,417,629	-
Receivables:				
Employee contributions	83,628	-	-	-
Due from the Commonwealth	7,973	-	-	-
Open trades	24,008	-	-	-
Public safety details	-	-	-	70,313
Total receivables	<u>115,609</u>	<u>-</u>	<u>-</u>	<u>70,313</u>
Total Assets	<u>45,934,989</u>	<u>1,199,314</u>	<u>1,689,562</u>	<u>499,328</u>
Liabilities				
Accounts payable and accrued expenses	41,877	-	-	14,220
Open trades	58,289	-	-	-
Planning board deposits	-	-	-	334,246
Student activities	-	-	-	143,139
Other	-	-	-	7,723
Total Liabilities	<u>100,166</u>	<u>-</u>	<u>-</u>	<u>499,328</u>
Net Position Held in Trust for				
Pension benefits	45,834,823	-	-	-
Other postemployment benefits	-	1,199,314	-	-
Public assistance and scholarships	-	-	1,689,562	-
Total Net Position	<u>\$ 45,834,823</u>	<u>\$ 1,199,314</u>	<u>\$ 1,689,562</u>	<u>\$ -</u>

(a) As of December 31, 2017

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2018**

	Pension Trust Fund (a)	Other Postemployment Benefits Trust Fund	Private Purpose Trust Funds
Additions			
Contributions:			
Employer	\$ 2,196,300	\$ 1,276,152	\$ -
Employee	996,976	404,630	-
Commonwealth of Massachusetts	16,409	-	-
Transfers from other systems	213,495	-	-
Reimbursements from other systems	96,241	-	-
Other contributions and donations	-	-	28,503
Total contributions	<u>3,519,421</u>	<u>1,680,782</u>	<u>28,503</u>
Investment income:			
Interest and dividends	1,028,420	45,209	16,049
Net realized and unrealized gains	5,712,796	12,081	(14,201)
Less: investment management fees	(244,806)	(4,002)	(6,288)
Net investment earnings	<u>6,496,410</u>	<u>53,288</u>	<u>(4,440)</u>
Other income	<u>956</u>	<u>-</u>	<u>-</u>
Total Additions	<u>10,016,787</u>	<u>1,734,070</u>	<u>24,063</u>
Deductions			
Benefit payments to retirees and beneficiaries	2,925,240	1,630,782	35,500
Refunds to members	65,557	-	-
Transfers to other systems	267,752	-	-
Reimbursements to other systems	189,437	-	-
Operations payroll	57,924	-	-
Other administrative expenses	<u>61,354</u>	<u>-</u>	<u>-</u>
Total Deductions	<u>3,567,264</u>	<u>1,630,782</u>	<u>35,500</u>
Change in Net Position	6,449,523	103,288	(11,437)
Net Position - Beginning of year (b)	<u>39,385,300</u>	<u>1,096,026</u>	<u>1,700,999</u>
Net Position - End of year	<u>\$ 45,834,823</u>	<u>\$ 1,199,314</u>	<u>\$ 1,689,562</u>

(a) For the year ended December 31, 2017

(b) The beginning fund balance in the private purpose trust funds was restated. See Note V.

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, 2018

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 from kindergarten to grade twelve, 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 to 10 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 and other postemployment benefits 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	-	-	1,037,538	1,037,538
Community preservation	-	707,171	-	707,171
Debt service reserve	477,668	-	-	477,668
Capital projects	-	-	8,435	8,435
Federal and state grants	-	-	750,508	750,508
Revolving funds	-	-	2,447,852	2,447,852
Committed:				
General government	39,755	-	-	39,755
Capital projects	-	-	2,316,040	2,316,040
Assigned:				
General government	151,919	-	-	151,919
Public safety	7,765	-	-	7,765
Education	176,043	-	-	176,043
Public works	26,000	-	-	26,000
Pension and other fringe benefits	1,755	-	-	1,755
Unassigned:				
Unrestricted	3,129,821	-	-	3,129,821
General stabilization	1,989,737	-	-	1,989,737
Capital stabilization	486,492	-	-	486,492
	<u>\$ 6,486,955</u>	<u>\$ 707,171</u>	<u>\$ 6,584,078</u>	<u>\$ 13,778,204</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, 2018, the Town reported \$363,482 of encumbrances from normal purchasing activity in the general fund as assigned. There are no encumbrances reported in any other fund.

E. Excess of Expenditures Over Appropriations and Deficits

During the fiscal year ended June 30, 2018, there were no instances where expenditures materially exceeded appropriations.

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, 2018:

Investments by Fair Value Level	June 30, 2018	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level:				
Debt securities:				
U.S. treasury bonds	\$ 749,814	\$ 749,814	\$ -	\$ -
U.S. government agency bonds	3,238,519	-	3,238,519	-
Corporate bonds	1,001,968	-	1,001,968	-
Total debt securities	<u>4,990,301</u>	<u>749,814</u>	<u>4,240,487</u>	<u>-</u>
Equity securities	770,768	770,768	-	-
Mutual funds	822,194	-	822,194	-
Total investments by fair value level	<u>6,583,263</u>	<u>\$ 1,520,582</u>	<u>\$ 5,062,681</u>	<u>\$ -</u>
Investments measured at amortized cost:				
MMDT	<u>167,112</u>			
Total investments measured at fair value	<u>\$ 6,750,375</u>			

All of the Town’s investments in U.S Treasuries and equity securities were classified in Level 1 as each investment is quoted in an active market. Corporate bonds, U.S. government agency bonds are valued using matrix pricing based on the securities’ relationship to benchmark quoted prices. The MMDT is valued at amortized cost, which approximates fair value.

At June 30, 2018, the Town had the following investment maturities:

	Fair Value	Time to Maturity	
		Within 1 Year	2 to 5 Years
Investments Subject to Maturity Classification:			
Corporate fixed income	\$ 1,001,968	\$ -	\$ 1,001,968
Government securities	3,988,333	423,919	3,564,414
	4,990,301	\$ 423,919	\$ 4,566,382
Investments Not Subject to Maturity Classification:			
Equity securities	770,768		
Mutual funds	822,194		
MMDT	167,112		
Total Town Investments	\$ 6,750,375		

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, 2018, \$2,144,963 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 periodically reviews the available financial data for the financial institutions in custody of its funds. All securities not held directly by the Town will be held in the Town’s name and tax identification number by a third-party custodian and evidenced by safekeeping receipts showing individual CUSIP numbers for each security. The investments in the MMDT are not exposed to custodial credit risk as their existence is not evidenced by securities that exist in physical or book form.

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, \$176,537 was rated by Moody’s Investors Service (“Moody’s”) as Aa3, \$366,542 was rated A3, \$350,071 was rated Baa1 and \$1108,817 was rated Baa2. All of the Town’s government securities were rated Aaa by Moody’s.

Retirement System (as of December 31, 2017)

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, 2017:

Investments by Fair Value Level	December 31, 2017	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level:				
Equity securities	23,442,751	23,442,751	-	-
Private equity investments	14,469	-	-	14,469
Total investments by fair value level	23,457,220	\$ 23,442,751	\$ -	\$ 14,469
Investments measured at NAV:				
PRIT funds	21,857,131			
Total investments measured at fair value	\$ 45,314,351			

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, 2017, 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, 2017, 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, 2017, represented approximately 48.3% of the Retirement System’s total investments:

PRIT Fixed Income Fund	13.2%
PRIT Emerging Markets Fund	9.8%
PRIT Real Estate Fund	9.3%
PRIT Value Added Fixed Income Fund	8.0%
PRIT Hedge Fund	8.0%

No other Retirement System investment represented more than 5% of the Retirement System’s total investments at December 31, 2017.

None of the Retirement System’s investments were subject to credit quality ratings from leading credit rating agencies. At December 31, 2017, uninsured short-term investment funds with fair values of \$502,333 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, 2018, 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	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
Personal property taxes	\$ 38,467	\$ -	\$ -	\$ 38,467
Real estate taxes	223,990	1,868	-	225,858
Tax liens	875,444	-	-	875,444
Excise taxes	319,936	-	-	319,936
Ambulance and other	-	-	57,637	57,637
Intergovernmental - MSBA	4,110,796	-	-	4,110,796
Intergovernmental - other	-	-	272,108	272,108
	<u>\$ 5,568,633</u>	<u>\$ 1,868</u>	<u>\$ 329,745</u>	<u>\$ 5,900,246</u>

The Town did not record any allowances for uncollectible accounts as of June 30, 2018 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, 2018 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, 2018 in the governmental funds:

	General	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
Personal property taxes	\$ 38,409	\$ -	\$ -	\$ 38,409
Real estate taxes	205,341	1,868	-	207,209
Tax liens and possessions	875,444	-	-	875,444
Excise taxes	319,936	-	-	319,936
Ambulance and other	-	-	57,637	57,637
Intergovernmental	<u>4,110,796</u>	<u>-</u>	<u>-</u>	<u>4,110,796</u>
	<u>\$ 5,549,926</u>	<u>\$ 1,868</u>	<u>\$ 57,637</u>	<u>\$ 5,609,431</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 Massachusetts School Building Authority, or MSBA. The Town receives \$897,611 each year from the MSBA 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 \$4,110,796 at June 30, 2018 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, or MCWT. The Town recorded \$11,129 and \$460,105 as receivables in its sewer and water enterprise funds, respectively, at June 30, 2018. 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 \$1,902 and \$117,789 in interest subsidies in its sewer and water enterprises, respectively, through fiscal year 2023.

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018 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	\$ 139,130	\$ -	\$ 4,589,699
Total capital assets not being depreciated	<u>4,450,569</u>	<u>139,130</u>	<u>-</u>	<u>4,589,699</u>
Capital assets being depreciated:				
Infrastructure	9,414,259	730,756	-	10,145,015
Buildings and improvements	88,529,513	444,412	-	88,973,925
Vehicles	2,244,880	138,130	(500,746)	1,882,264
Machinery and equipment	4,362,855	749,020	(17,000)	5,094,875
Total capital assets being depreciated	<u>104,551,507</u>	<u>2,062,318</u>	<u>(517,746)</u>	<u>106,096,079</u>
Less accumulated depreciation	<u>(30,262,131)</u>	<u>(3,118,356)</u>	<u>517,746</u>	<u>(32,862,741)</u>
Total capital assets being depreciated, net	<u>74,289,376</u>	<u>(1,056,038)</u>	<u>-</u>	<u>73,233,338</u>
Capital assets, net	<u>\$ 78,739,945</u>	<u>\$ (916,908)</u>	<u>\$ -</u>	<u>\$ 77,823,037</u>
Depreciation expense was charged to functions/programs as follows:				
General government	\$ 111,431			
Public safety	383,865			
Education	2,160,173			
Public works	342,722			
Culture and recreation	120,165			
	<u>\$ 3,118,356</u>			

<u>Business-Type Activities - Sewer</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Infrastructure	\$ 21,373,327	\$ 305,921	\$ -	\$ 21,679,248
Vehicles	42,001	-	(25,000)	17,001
Machinery and equipment	863,140	-	-	863,140
Total capital assets being depreciated	22,278,468	305,921	(25,000)	22,559,389
Less accumulated depreciation	(8,771,983)	(570,861)	25,000	(9,317,844)
Capital assets, net	<u>\$ 13,506,485</u>	<u>\$ (264,940)</u>	<u>\$ -</u>	<u>\$ 13,241,545</u>
<u>Business-Type Activities - Water</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Infrastructure	\$ 14,424,851	\$ -	\$ -	\$ 14,424,851
Vehicles	151,947	-	(15,700)	136,247
Machinery and equipment	1,192,444	-	-	1,192,444
Total capital assets being depreciated	15,769,242	-	(15,700)	15,753,542
Less accumulated depreciation	(6,990,516)	(437,180)	15,700	(7,411,996)
Capital assets, net	<u>\$ 8,778,726</u>	<u>\$ (437,180)</u>	<u>\$ -</u>	<u>\$ 8,341,546</u>
Depreciation expense was charged to functions/programs as follows:				
Sewer	\$ 570,861			
Water	437,180			
	<u>\$ 1,008,041</u>			

D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2018 are summarized as follows:

<u>Transfers Out</u>	<u>Transfers In</u>		<u>Total</u>	
	<u>General Fund</u>	<u>Nonmajor Funds</u>		
General fund	\$ -	\$ 1,890,902	\$ 1,890,902	(1) (2)
Community preservation fund	-	250,000	250,000	(3)
Nonmajor governmental funds	709,980	-	709,980	(4)
	<u>\$ 709,980</u>	<u>\$ 2,140,902</u>	<u>\$ 2,850,882</u>	

- (1) General fund transferred \$1,861,000 to capital projects, \$1,292,000 of which was from capital stabilization.
- (2) General fund transferred \$29,902 in surplus special education funds to an educational special revenue account.
- (3) Community preservation transfer to affordable housing trust.
- (4) Approved transfer of receipts reserved for ambulance (\$295,000) and PEG access (\$374,688).
- (5) Transfer of excess funds (\$40,292) from special revenue accounts to general fund.

E. Temporary Debt

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

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

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

Temporary notes are general obligations of the Town and 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 2018.

F. Long-term Obligations

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

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

The following table reflects the activity in the Town’s long-term liability accounts during the fiscal year ended June 30, 2018:

Description of Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
<i>Governmental Activities:</i>					
General obligation bonds and notes payable	\$ 31,092,773	\$ -	\$ (2,735,231)	\$ 28,357,542	\$ 2,743,896
Premium on bonds payable	166,757	-	(19,357)	147,400	18,341
Capital lease obligation	-	174,825	(61,107)	113,718	55,488
Compensated absences	1,768,974	114,367	-	1,883,341	941,671
Net OPEB liability (a)	52,064,157	3,389,819	(6,447,332)	49,006,644	-
Net pension liability	14,364,420	2,127,669	(4,070,295)	12,421,794	-
Total Governmental Activities	<u>\$ 99,457,081</u>	<u>\$ 5,806,680</u>	<u>\$(13,333,322)</u>	<u>\$ 91,930,439</u>	<u>\$ 3,759,396</u>
<i>Business-Type Activities:</i>					
General obligation bonds and notes payable	\$ 12,067,723	\$ -	\$ (1,164,397)	\$ 10,903,326	\$ 1,079,632
Compensated absences	68,616	-	(11,749)	56,867	28,434
Net OPEB liability (a)	1,832,486	119,310	(226,925)	1,724,871	-
Net pension liability	505,580	74,887	(143,261)	437,206	-
Total Business-Type Activities	<u>\$ 14,474,405</u>	<u>\$ 194,197</u>	<u>\$ (1,546,332)</u>	<u>\$ 13,122,270</u>	<u>\$ 1,108,066</u>

(a) As restated for the implementation of GASB Statement No. 75. See Note V.

General obligation bonds and notes outstanding at June 30, 2018 were as follows:

Description	Interest Rate	Outstanding at June 30, 2017	Additions	Maturities and Retirements	Outstanding at June 30, 2018
<i>Governmental Activities:</i>					
General obligation bonds	1.04 - 4.17%	\$ 31,078,085	\$ -	\$ (2,730,335)	\$ 28,347,750
MCWT note	0.00%	14,688	-	(4,896)	9,792
		<u>31,092,773</u>	<u>-</u>	<u>(2,735,231)</u>	<u>28,357,542</u>
Unamortized premiums on 2013 bonds		166,757	-	(19,357)	147,400
Total Governmental Activities		<u>\$ 31,259,530</u>	<u>\$ -</u>	<u>\$ (2,754,588)</u>	<u>\$ 28,504,942</u>
<i>Business-Type Activities:</i>					
General obligation bonds	2.16 - 4.76%	\$ 2,856,915	\$ -	\$ (449,665)	\$ 2,407,250
MCWT notes	0.00 - 5.50%	9,210,808	-	(714,732)	8,496,076
		<u>12,067,723</u>	<u>-</u>	<u>(1,164,397)</u>	<u>10,903,326</u>
Total Business-Type Activities		<u>\$ 12,067,723</u>	<u>\$ -</u>	<u>\$ (1,164,397)</u>	<u>\$ 10,903,326</u>

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

Year Ending June 30,	Governmental Activities						
	Principal			Interest			Total
	Gross	Subsidized	Net	Gross	Subsidized	Net	
2019	\$ 2,743,896	\$ -	\$ 2,743,896	\$ 919,285	\$ (691)	\$ 918,594	\$ 3,662,490
2020	2,763,126	-	2,763,126	1,086,644	(392)	1,086,252	3,849,378
2021	2,783,770	-	2,783,770	713,071	(135)	712,937	3,496,707
2022	2,801,750	-	2,801,750	606,708	-	606,708	3,408,458
2023	2,730,000	-	2,730,000	501,053	-	501,053	3,231,053
2024-2028	8,585,000	-	8,585,000	1,534,139	-	1,534,139	10,119,139
2029-2033	5,950,000	-	5,950,000	456,325	-	456,325	6,406,325
Total	<u>\$28,357,542</u>	<u>\$ -</u>	<u>\$28,357,542</u>	<u>\$ 5,817,224</u>	<u>\$ (1,218)</u>	<u>\$ 5,816,006</u>	<u>\$34,173,548</u>
Year Ending June 30,	Business-Type Activities						
	Principal			Interest			Total
	Gross	Subsidized	Net	Gross	Subsidized	Net	
2019	\$ 1,079,632	\$ (84,880)	\$ 994,752	\$ 277,883	\$ (46,240)	\$ 231,643	\$ 1,311,276
2020	1,094,490	(95,234)	999,256	232,831	(25,324)	207,507	1,301,998
2021	1,118,228	(97,542)	1,020,686	203,683	(21,160)	182,524	1,300,752
2022	1,111,440	(94,212)	1,017,228	176,097	(18,967)	157,130	1,268,570
2023	1,067,859	(99,365)	968,494	140,093	(8,000)	132,093	1,199,952
2024-2028	3,071,560	-	3,071,560	426,481	-	426,481	3,498,041
2029-2033	2,325,116	-	2,325,116	114,681	-	114,681	2,439,797
2034	35,000	-	35,000	700	-	700	35,700
Total	<u>\$10,903,326</u>	<u>\$ (471,234)</u>	<u>\$10,432,092</u>	<u>\$ 1,572,449</u>	<u>\$ (119,691)</u>	<u>\$ 1,452,758</u>	<u>\$12,356,084</u>

Business-Type Activities: Sewer							
Year Ending June 30,	Principal	Principal	Net	Interest			Total
	Gross	Subsidized		Gross	Subsidized	Net	
2019	\$ 608,632	\$ (3,403)	\$ 605,230	\$ 183,741	\$ (1,084)	\$ 182,657	\$ 791,289
2020	614,490	(3,650)	610,841	168,991	(486)	168,505	782,996
2021	623,228	(4,077)	619,152	154,345	(332)	154,013	777,241
2022	617,440	-	617,440	139,532	-	139,532	756,972
2023	587,859	-	587,859	124,848	-	124,848	712,707
2024-2028	2,921,560	-	2,921,560	424,231	-	424,231	3,345,791
2029-2033	2,325,116	-	2,325,116	114,681	-	114,681	2,439,797
2034	35,000	-	35,000	700	-	700	35,700
Total	<u>\$ 8,333,326</u>	<u>\$ (11,129)</u>	<u>\$ 8,322,197</u>	<u>\$ 1,311,068</u>	<u>\$ (1,902)</u>	<u>\$ 1,309,166</u>	<u>\$ 9,642,492</u>

Business-Type Activities: Water							
Year Ending June 30,	Principal	Principal	Net	Interest			Total
	Gross	Subsidized		Gross	Subsidized	Net	
2019	\$ 471,000	\$ (81,477)	\$ 389,523	\$ 94,142	\$ (45,156)	\$ 48,986	\$ 519,986
2020	480,000	(91,585)	388,415	63,840	(24,839)	39,002	519,002
2021	495,000	(93,465)	401,535	49,339	(20,828)	28,511	523,511
2022	494,000	(94,212)	399,788	36,565	(18,967)	17,598	511,598
2023	480,000	(99,365)	380,635	15,245	(8,000)	7,245	487,245
2024	150,000	-	150,000	2,250	-	2,250	152,250
Total	<u>\$ 2,570,000</u>	<u>\$ (460,105)</u>	<u>\$ 2,109,895</u>	<u>\$ 261,381</u>	<u>\$ (117,789)</u>	<u>\$ 143,592</u>	<u>\$ 2,713,592</u>

The following table includes authorized but unissued debt at June 30, 2018:

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

G. Capital Lease Obligation

The Town is party to a non-cancellable lease for the purchase of a loader. For financial reporting purposes, this lease is accounted for as a capital lease. The future minimum lease payments on this capital lease obligation and the net present value of these minimum lease payments as of June 30, 2018 are as follows:

Fiscal Year Ended June 30,	
2019	\$ 61,107
2010	<u>61,107</u>
Total minimum lease payments	122,214
Less amount representing interest	<u>(8,496)</u>
Present value of minimum lease payments	<u>\$ 113,718</u>

The loader acquired through the capital lease has a book value of \$174,825. Accumulated depreciation of this loader at June 30, 2018 was \$8,741. The net book value of the loader at June 30, 2018 was \$166,084.

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, 2017 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, 2017 was as follows:

Active and inactive employees	284
Retirees and beneficiaries currently receiving benefits	<u>113</u>
	<u>397</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 \$2,127,669 to the Retirement System in fiscal year 2018, 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 2018.

Net Pension Liability – At June 30, 2018, the Town reported a liability of \$12,859,000 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2017 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, 2017. Since its last actuarial valuation, the discount rate was reduced from 7.5% to 7/0%. 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, 2017, which was consistent with the proportion measured at December 31, 2016.

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, 2017 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 \$2,203,000 in pension expense in the statement of activities in fiscal year 2018.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (dollar amounts are in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,124
Changes of assumptions	3,543	-
Net difference between projected and actual earnings on pension plan investments	-	1,968
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	33
	<u>\$ 3,543</u>	<u>\$ 3,125</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>	
2019	\$ 307
2020	422
2021	(223)
2022	(421)
2023	303
2024	<u>30</u>
	<u>\$ 418</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, 2017. The significant actuarial assumptions used in the January 1, 2017 actuarial valuation included:

Actuarial cost method:	Entry age normal
Amortization method:	Top appropriation increasing 6.0%
Remaining amortization period:	17 years from July 1, 2018
Asset valuation method:	Market value
Investment rate of return:	7.0% per annum (formerly 7.5%)
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 \$15,000 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).

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	55.0%
Fixed income investments	30.0%
Non-traditional asset classes	7.5%
Real estate	7.5%

The Retirement System’s investment policy targets an investment return that meets or exceeds the actuarial investment rate of return (currently 7.0%). 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, 2017 actuarial valuation report was 7.0%, which was a reduction from the previous discount rate of 7.5%. 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 7.0% as well as the Town’s proportionate share of the net pension liability using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate (dollar amounts are in thousands):

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
Town's proportionate share of the net pension liability	\$ 19,329	\$ 12,859	\$ 7,385

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, 2018, the Commonwealth contributed \$1,902,404 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 0.153977%, 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
	<u>Portion</u>	<u>of the Town</u>	<u>Portion</u>
Net pension liability	\$ 35,238	\$ (35,238)	\$ -
Pension expense	3,678	(3,678)	-

The Town recognized \$3,677,909 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 "OPEB Plan"). The OPEB Plan provides health and life insurance benefits (other postemployment benefits) to current and future retirees, their dependents and beneficiaries in accordance with Section 20 of Massachusetts General Law Chapter 32B. Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Town ordinance. All benefits are provided through the Town's premium-based insurance program. The OPEB Plan does not issue a stand-alone financial report and is presented as a fiduciary fund in the Town's financial statements. OPEB Plan disclosures can be found in this footnote disclosure.

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2018:

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

Contributions – The contribution requirements of OPEB 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 OPEB Plan are paid by the Town. For the year ended June 30, 2018, the Town’s average contribution rate was 7% of covered-employee payroll.

Net OPEB Liability – The Town’s net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The total OPEB liability in the most recent actuarial valuation was determined using the following key actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50% per annum
Salary increases	3.50% per annum
Payroll growth	2.50% per annum
Investment rate of return	3.87% per annum (Bond Buyer's 20 Bond Index)
Healthcare cost trend rates	8.0% initial decreasing to an ultimate rate of 4.5% per annum in 2021
Mortality	RP-2000 Combined Fully Generational based on Projection Scale AA

The actuarial assumptions used in the most recent valuation were based on the results of an actuarial experience study for the period ended June 30, 2016.

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	28.45%	5.70%
International equity	18.34%	5.28%
Domestic bond	28.32%	6.61%
International bond	7.07%	11.18%
Alternatives	17.32%	0.88%
Cash and cash equivalents	<u>0.50%</u>	4.06%
	<u>100.00%</u>	

The components of the net OPEB Liability of the Town at June 30, 2018 were as follows:

Total OPEB liability	\$ 51,930,830
Plan fiduciary net position	<u>(1,199,314)</u>
Net OPEB liability	<u>\$ 50,731,516</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 2.31%

Discount Rate – The discount rate used to measure the total OPEB liability was 3.87%, which represented a yield or index rate for twenty-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2018:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2017	\$ 54,964,768	\$ 1,068,125	\$ 53,896,643
Changes for the year:			
Service cost	2,552,199	-	2,552,199
Interest	1,781,240	-	1,781,240
Differences between expected and actual experience	(567,618)	47,757	(615,375)
Changes in assumptions	(5,573,607)	-	(5,573,607)
Employer contributions	(1,226,152)	1,276,152	(2,502,304)
Net investment income	-	33,432	(33,432)
Benefit payments	<u>-</u>	<u>(1,226,152)</u>	<u>1,226,152</u>
Net changes	<u>(3,033,938)</u>	<u>131,189</u>	<u>(3,165,127)</u>
Balances at June 30, 2018	<u>\$ 51,930,830</u>	<u>\$ 1,199,314</u>	<u>\$ 50,731,516</u>

The discount rate changed from 3.13% at June 30, 2017 to 3.87% at June 30, 2018, which was the primarily contributor to the changes in assumptions detailed in the table above.

Sensitivity Analyses – The following presents the Town’s net OPEB liability as well as what the Town’s net OPEB liability would be if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current discount rate:

	1% Decrease (2.87%)	Current Discount (3.87%)	1% Increase (4.87%)
Net OPEB liability	\$ 58,478,746	\$ 50,731,516	\$ 44,418,976

The following presents the Town’s net OPEB liability as well as what the Town’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.0% lower or 1.0% higher than the current healthcare cost trend rates:

	1% Decrease (7.0% decreasing to 3.5%)	Healthcare Cost Trend Rates (8.0% decreasing to 4.5%)	1% Increase (9.0% decreasing to 5.5%)
Net OPEB liability	\$ 42,913,083	\$ 50,731,516	\$ 60,699,718

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the Town recognized OPEB expense of \$3,509,129. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2018 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 495,402
Changes of assumptions	-	4,864,497
Net difference between projected and actual earnings on OPEB Plan investments	-	38,205
	<u>\$ -</u>	<u>\$ 5,398,104</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (benefit) as follows:

Year Ended June 30,

2019	\$	(790,878)
2020		(790,878)
2021		(790,878)
2022		(790,875)
2023		(781,326)
Thereafter		<u>(1,453,269)</u>
	\$	<u>(5,398,104)</u>

Investment Custody – In accordance with Massachusetts General Laws, the Town Treasurer is the custodian of the OPEB Plan and since the Town has not designated a Board of Trustees, the Town Treasurer is also the Trustee and as such is responsible for the general supervision of the management, investment and reinvestment of the OPEB Plan assets. OPEB 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. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the Town.

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

Investment Rate of Return – For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 7.57%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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, 2018, 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, 2018.

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 \$727,000 are in dispute with the ATB, all of which pertained to the valuation of certain telecommunication equipment and property. 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*. GASB 75 established 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 became effective in fiscal year 2018. The adoption of GASB No. 75 resulted in a reduction in beginning net position of approximately \$25.9 million and \$0.5 million in the Town's governmental and business-type activities, respectively. Refer to Note V.

In March 2016, the GASB issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of the Statement was 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 became effective in fiscal year 2018 and did not have a material impact on the Town's financial statements.

In May 2017, the GASB issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of the Statement was to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The provisions of this Statement became effective in fiscal year 2018 and did not have a material impact on the Town's financial statements.

Future Year Implementations

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 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.

In April 2018, the GASB issued GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. 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 June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest costs incurred before the end of a construction period. 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.

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. The objective of this Statement is to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. 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.

IV. Economic Dependence

During the year ended June 30, 2018, approximately 25% of revenues of the general fund were recognized from the Commonwealth of Massachusetts and the federal government.

V. Restatements

The following restatements were made to the beginning balances:

	Governmental Activities	Business-Type Activities		
		Sewer	Water	Total
Net position at June 30, 2017, as reported	\$ 27,700,838	\$ 6,050,957	\$ 7,776,916	\$ 13,827,873
Eliminate recorded OPEB obligation (GASB No. 45)	25,917,598	264,466	264,466	528,932
Record net OPEB liability (GASB No. 75)	(52,064,157)	(646,760)	(1,185,726)	(1,832,486)
Reclassify private purpose trust funds to fiduciary funds	(188,794)	-	-	-
Net position at June 30, 2017, as restated	<u>\$ 1,365,485</u>	<u>\$ 5,668,663</u>	<u>\$ 6,855,656</u>	<u>\$ 12,524,319</u>
	General Fund	Community Preservation	Nonmajor Governmental Funds	Total Governmental Funds
Fund balances at June 30, 2017, as reported	\$ 6,874,114	\$ 904,809	\$ 6,097,827	\$ 13,876,750
Reclassify private purpose trust funds to fiduciary funds	-	-	(188,794)	(188,794)
Fund balances at June 30, 2017, as restated	<u>\$ 6,874,114</u>	<u>\$ 904,809</u>	<u>\$ 5,909,033</u>	<u>\$ 13,687,956</u>

TOWN OF MAYNARD, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
YEARS ENDED JUNE 30, 2018

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

(dollar amounts are in thousands)

	Years Ended December 31,			
	2017	2016	2015	2014
Town's proportion of the net pension liability (asset)	96.90%	96.90%	97.20%	97.10%
Town's proportionate share of the net pension liability (asset)	\$ 12,859	\$ 14,870	\$ 15,203	\$ 10,962
Town's covered-employee payroll	\$ 9,838	\$ 9,285	\$ 9,285	\$ 7,932
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	130.7%	160.2%	163.7%	138.2%
Plan fiduciary net position as a percentage of the total pension liability	77.50%	72.00%	70.10%	71.50%

SCHEDULE OF THE TOWN CONTRIBUTIONS TO PENSION PLAN

(dollar amounts are in thousands)

	Years Ended December 31,			
	2017	2016	2015	2014
Actuarially determined contribution	\$ 2,128	\$ 2,007	\$ 1,900	\$ 1,791
Contributions in relation to the actuarially determined contribution	2,128	2,007	1,900	1,791
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 9,838	\$ 9,285	\$ 9,285	\$ 7,932
Contributions as a percentage of covered-employee payroll	21.6%	21.6%	20.5%	

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, 2018**

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

	<u>2017</u>	<u>Year Ended June 30, 2016</u>	<u>2015</u>	<u>2014</u>
Commonwealth's proportion of the collective net pension liability (asset)	100.0%	100.0%	100.0%	100.0%
City's proportion of the collective net pension liability (asset)	0.0%	0.0%	0.0%	0.0%
Commonwealth's proportionate share of the net pension liability (asset)	\$ 22,885,391	\$ 22,357,928	\$ 20,489,643	\$ 15,896,354
Commonwealth's actuarially determined contribution	\$ 1,235,515	\$ 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
YEARS ENDED JUNE 30, 2018**

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	<u>2018</u>	<u>2017</u>
Total OPEB liability:		
Service cost	\$ 2,552,199	\$ 2,381,424
Interest	1,781,240	1,921,276
Differences between expected and actual experience	(567,618)	-
Changes in assumptions	(5,573,607)	-
Benefit payments	<u>(1,226,152)</u>	<u>(1,644,269)</u>
Net change in total OPEB liability	(3,033,938)	2,658,431
Total OPEB liability - beginning of year	<u>54,964,768</u>	<u>52,306,337</u>
Total OPEB liability - end of year (a)	<u><u>\$ 51,930,830</u></u>	<u><u>\$ 54,964,768</u></u>
Plan fiduciary net position:		
Contributions - employer	\$ 50,000	\$ 100,000
Net investment income	<u>81,189</u>	<u>30,477</u>
Net change in Plan fiduciary net position	131,189	130,477
Plan fiduciary net position - beginning of year	<u>1,068,125</u>	<u>937,648</u>
Plan fiduciary net position - end of year (b)	<u><u>\$ 1,199,314</u></u>	<u><u>\$ 1,068,125</u></u>
Net OPEB liability - end of year (a) - (b)	<u><u>\$ 50,731,516</u></u>	<u><u>\$ 53,896,643</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	2.31%	1.94%
Covered-employee payroll	\$ 18,221,712	\$ 17,777,280
Net OPEB liability as a percentage of covered-employee payroll	278.41%	303.18%

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
YEARS ENDED JUNE 30, 2018**

SCHEDULE OF CONTRIBUTIONS

	<u>2018</u>	<u>2017</u>
Actuarially-determined contribution	\$ 3,441,604	\$ 4,547,914
Contributions in relation to the actuarially-determined contribution	<u>(1,276,152)</u>	<u>(1,844,269)</u>
Contribution deficiency (excess)	<u>\$ 2,165,452</u>	<u>\$ 2,703,645</u>
Covered-employee payroll	\$ 18,221,712	\$ 17,777,280
Contribution as a percentage of covered-employee payroll	7.0%	10.4%

Notes to Schedule

Valuation Date	July 1, 2016
Actuarial Cost Method	Individual entry age normal
Amortization Period	30 years
Asset Valuation Method	Market value of assets as of reporting date
Inflation	2.5% per annum
Healthcare cost trend rates	8.0% initial decreasing to an ultimate rate of 4.5% per annum in 2021
Salary increases	3.5% per annum
Payroll growth	2.5% per annum
Investment rate of return	3.87% per annum
Mortality	RP-2000 Combined Fully Generational based on Projection Scale AA

SCHEDULE OF INVESTMENT RETURNS

	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	7.57%	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, 2018

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Variance Positive (Negative)
	Original Budget	Final Budget				
Revenues:						
Real estate and personal property	\$ 30,119,504	\$ 30,119,504	\$ 30,330,568	\$ -	\$ 30,330,568	\$ 211,064
Intergovernmental	7,747,717	7,747,717	7,762,003	-	7,762,003	14,286
Motor vehicle and other excises	1,303,000	1,303,000	1,470,644	-	1,470,644	167,644
Licenses and permits	307,000	307,000	668,057	-	668,057	361,057
Departmental and other revenue	501,422	501,422	1,187,907	-	1,187,907	686,485
Penalties and interest	207,000	207,000	177,212	-	177,212	(29,788)
Investment income	21,000	21,000	35,320	-	35,320	14,320
Total Revenues	<u>40,206,643</u>	<u>40,206,643</u>	<u>41,631,711</u>	<u>-</u>	<u>41,631,711</u>	<u>1,425,068</u>
Expenditures:						
General government	2,886,665	2,886,665	2,389,537	191,674	2,581,211	305,454
Public safety	4,959,290	4,959,290	4,884,475	7,765	4,892,240	67,050
Education	19,285,727	19,285,727	19,055,287	176,043	19,231,330	54,397
Public works	1,985,485	2,309,485	2,256,576	26,000	2,282,576	26,909
Health and human services	224,738	224,738	212,441	-	212,441	12,297
Culture and recreation	593,285	593,285	588,071	-	588,071	5,214
Fringe and pension benefits	8,058,239	8,108,239	7,737,275	1,755	7,739,030	369,209
State and county tax assessments	825,302	825,302	825,302	-	825,302	-
Debt service	3,708,713	3,708,713	3,688,358	-	3,688,358	20,355
Total Expenditures	<u>42,527,444</u>	<u>42,901,444</u>	<u>41,637,322</u>	<u>\$ 403,237</u>	<u>42,040,559</u>	<u>860,885</u>
Other Financing Sources (Uses):						
Transfers in	1,503,956	1,503,956	1,544,248	-	1,544,248	40,292
Transfers out	-	(569,000)	(598,902)	-	(598,902)	(29,902)
Total Other Financing Sources (Uses)	<u>1,503,956</u>	<u>934,956</u>	<u>945,346</u>	<u>-</u>	<u>945,346</u>	<u>10,390</u>
(DEFICIENCY) EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES/USE OF PRIOR YEAR BUDGETARY FUND BALANCE	<u>(816,845)</u>	<u>(1,759,845)</u>	<u>\$ 939,735</u>	<u>-</u>	<u>\$ 536,498</u>	<u>\$ 2,296,343</u>
Other Budgetary Items:						
Prior year encumbrances	749,079	749,079	-	-	-	-
Free cash transfers	-	793,000	-	-	-	-
Overlay	-	150,000	-	-	-	-
Bond premium amortization	67,766	67,766	-	-	-	-
Total Other Budgetary Items	<u>816,845</u>	<u>1,759,845</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Budget	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<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, 2018**

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, 2018., is as follows:

	<u>Basis of Accounting Differences</u>	<u>Fund Perspective Differences</u>	<u>Total</u>
Revenues on a budgetary basis			\$ 41,631,711
On behalf payments	\$ 3,677,909	\$ -	3,677,909
Revenue recognition - 60-day receivable effect	(9,943)	-	(9,943)
Stabilization interest - GASB 54 impact	-	(24,951)	(24,951)
Revenues on a GAAP basis	<u>\$ 3,667,966</u>	<u>\$ (24,951)</u>	<u>\$ 45,274,726</u>
Expenditures on a budgetary basis			\$ 41,637,322
Effect of indirect costs	\$ (834,268)	\$ -	(834,268)
On behalf payments	3,677,909	-	3,677,909
Expenditures on a GAAP basis	<u>\$ 2,843,641</u>	<u>\$ -</u>	<u>\$ 44,480,963</u>
Net transfers on a budgetary basis			\$ 945,346
Stabilization transfers - GASB 54 impact	\$ -	\$ (1,292,000)	(1,292,000)
Effect of indirect costs	(834,268)	-	(834,268)
Net transfers on a GAAP basis	<u>\$ (834,268)</u>	<u>\$ (1,292,000)</u>	<u>\$ (1,180,922)</u>