

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF MAYNARD, MASSACHUSETTS

Report on Examination of
Basic Financial Statements
an Additional Information

Year Ended June 30, 2019



TOWN OF MAYNARD, MASSACHUSETTS

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Selectmen
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, 2019 (except for the Maynard Contributory Retirement System "the Retirement System," which is as of December 31, 2018), 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, 2019, (except for the Retirement System, which is as of December 31, 2018) and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 October 6, 2019 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



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

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, 2019. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information found in this report.

Financial Highlights

- The Town's assets and deferred outflows of financial resources exceeded its liabilities and deferred inflows of financial resources at the close of the most recent fiscal year by over \$12.6 million (*total net position*). The Town's total net position decreased by approximately \$1.2 million in fiscal year 2019.
- The net position in governmental activities decreased over \$1.5 million while the net position in business-type activities increased nearly \$360,000. Included in the governmental activities was nearly \$3.1 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 primarily to one-time sewer connection fees of \$345,000 related to the development at 129 Parker Street's residential units.
- The Town's total long-term debt in its governmental activities and business-type activities in aggregate decreased by over \$1.9 million in 2019 as maturities of approximately \$3.8 million exceeded new issuances of general obligation bonds in the business-type activities of \$1.9 million. The Town's total long-term debt was approximately \$37.5 million at June 30, 2019.
- 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 \$11.4 million, which was approximately \$2.4 million lower than the prior year. This decrease was due primarily to capital outlays of over \$1.2 million related to a land purchase and construction designs for a new fire station together with other infrastructure spending related to the continued development of the 129 Parker Street project, a portion of which was funded through grants from the Commonwealth of Massachusetts (the "Commonwealth"). Of the ending fund balance approximately \$4.7 million is *available for spending* at the government's discretion as *unassigned fund balance* in the general fund. The remainder is earmarked for specific expenditures.
- At the end of the current fiscal year, unassigned fund balance for the general fund was approximately \$4.7 million, or approximately 10% percent of total fiscal year 2019 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, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Assets:						
Current and other assets	\$ 19,150,131	\$ 21,835,052	\$ 7,077,846	\$ 5,651,738	\$ 26,227,977	\$ 27,486,790
Capital assets, net	<u>79,431,245</u>	<u>77,823,037</u>	<u>21,527,129</u>	<u>21,583,090</u>	<u>100,958,374</u>	<u>99,406,127</u>
Total Assets	<u>98,581,376</u>	<u>99,658,089</u>	<u>28,604,975</u>	<u>27,234,828</u>	<u>127,186,351</u>	<u>126,892,917</u>
Deferred Outflows of Resources	<u>10,568,267</u>	<u>3,422,538</u>	<u>371,968</u>	<u>120,462</u>	<u>10,940,235</u>	<u>3,543,000</u>
Liabilities:						
Long-term liabilities	95,950,892	91,930,439	13,104,190	13,122,270	109,055,082	105,052,709
Other liabilities	<u>6,480,468</u>	<u>2,892,551</u>	<u>1,423,407</u>	<u>143,854</u>	<u>7,903,875</u>	<u>3,036,405</u>
Total Liabilities	<u>102,431,360</u>	<u>94,822,990</u>	<u>14,527,597</u>	<u>13,266,124</u>	<u>116,958,957</u>	<u>108,089,114</u>
Deferred Inflows of Resources	<u>8,240,259</u>	<u>8,233,318</u>	<u>290,030</u>	<u>289,785</u>	<u>8,530,289</u>	<u>8,523,103</u>
Net Position:						
Net investment in capital assets	56,974,716	53,315,173	9,803,435	10,679,764	66,778,151	63,994,937
Restricted	10,422,997	12,243,195	-	-	10,422,997	12,243,195
Unrestricted	<u>(68,919,689)</u>	<u>(65,534,049)</u>	<u>4,355,881</u>	<u>3,119,617</u>	<u>(64,563,808)</u>	<u>(62,414,432)</u>
Total Net Position	<u>\$ (1,521,976)</u>	<u>\$ 24,319</u>	<u>\$ 14,159,316</u>	<u>\$ 13,799,381</u>	<u>\$ 12,637,340</u>	<u>\$ 13,823,700</u>

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 \$1.2 million year-over-year. The net position in governmental activities decreased by over \$1.5 million while the net position in business-type activities increased by nearly \$360,000.

Included in the governmental activities was approximately \$3.1 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. The sewer operations reported a positive change in net position of nearly \$550,000 in 2019 while the water operations reported a decrease of nearly \$190,000. In 2019, the sewer enterprise received a one-time connection fee of \$345,000 related to the residential development of 129 Parker Street. The loss in the water department was due primarily to an increase in non-capitalizable costs year-over-year.

The largest portion (approximately \$66.8 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 (approximately \$10.4 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 \$68.9 million in its governmental activities and a positive unrestricted net position of approximately \$4.4 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 \$53.3 million net OPEB liability and \$18.3 million net pension liability at June 30, 2019. 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:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 3,674,714	\$ 4,564,855	\$ 5,467,005	\$ 6,131,266	\$ 9,141,719	\$ 10,696,121
Operating grants and contributions	11,783,568	10,795,757	-	-	11,783,568	10,795,757
Capital grants and contributions	2,904,249	744,249	46,240	46,464	2,950,489	790,713
General revenues:						
Property taxes	31,484,423	30,587,674	-	-	31,484,423	30,587,674
Excise taxes	1,432,451	1,490,240	-	-	1,432,451	1,490,240
Intergovernmental	1,624,392	1,569,461	-	-	1,624,392	1,569,461
Other	341,051	78,312	27,761	(5,493)	368,812	72,819
Total Revenues	<u>53,244,848</u>	<u>49,830,548</u>	<u>5,541,006</u>	<u>6,172,237</u>	<u>58,785,854</u>	<u>56,002,785</u>
Expenses:						
General government	3,858,049	3,089,222	-	-	3,858,049	3,089,222
Public safety	7,083,140	8,301,180	-	-	7,083,140	8,301,180
Education	36,993,439	33,975,592	-	-	36,993,439	33,975,592
Public works	4,491,790	2,991,064	-	-	4,491,790	2,991,064
Health and human services	380,054	650,249	-	-	380,054	650,249
Culture and recreation	1,210,242	1,188,814	-	-	1,210,242	1,188,814
Interest expense	774,429	975,593	-	-	774,429	975,593
Utility services	-	-	5,181,071	4,897,175	5,181,071	4,897,175
Total Expenses	<u>54,791,143</u>	<u>51,171,714</u>	<u>5,181,071</u>	<u>4,897,175</u>	<u>59,972,214</u>	<u>56,068,889</u>
Change in Net Position Before Transfers	(1,546,295)	(1,341,166)	359,935	1,275,062	(1,186,360)	(66,104)
Transfers	-	-	-	-	-	-
Change in Net Position	<u>(1,546,295)</u>	<u>(1,341,166)</u>	<u>359,935</u>	<u>1,275,062</u>	<u>(1,186,360)</u>	<u>(66,104)</u>
Net Position:						
Beginning 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>
End of year	<u>\$ (1,521,976)</u>	<u>\$ 24,319</u>	<u>\$ 14,159,316</u>	<u>\$ 13,799,381</u>	<u>\$ 12,637,340</u>	<u>\$ 13,823,700</u>

Governmental Activities – Total revenues in fiscal year 2019 in the Town’s governmental activities increased over \$3.4 million, or 6.9%, from fiscal year 2018. Property taxes continue to represent the majority of total revenues in governmental activities; property taxes represented over 59% of total fiscal year 2019 governmental activities revenues, which is consistent with the prior year’s ratio. Property taxes increased nearly \$0.9 million, or 2.9%, year-over-year. This increase was due to Prop 2 ½ as well as new growth. Operating grants represented 22% of total fiscal year 2019 and 2018 revenues. Capital grants increased approximately \$2.2 million year-over-year and primarily consisted of infrastructure grants provided by the Commonwealth in connection with the development of 129 Parker Street.

Education represents the largest expense category for the Town. Education expenses represented approximately 68% of total fiscal year 2019 expenses versus 66% of total fiscal year 2018 expenses. Public safety expenses represented approximately 13% of total fiscal year 2019 expenses versus 16% of total fiscal year 2018 expenses; this decrease was due to a change in benefit allocation methodologies year-over-year with a greater amount of pension expense shifting from public safety to education expenses. No other expense types were greater than 10% of total expenses in fiscal years 2019 or 2018.

Business-Type Activities – User charges for sewer and water services represent the vast majority of reported revenues. Total revenues decreased approximately \$631,000 year-over-year. Included in 2018 revenues was one-time connection fees of nearly \$1.1 million in the sewer and water enterprises. In 2019, one-time connection fees in both the sewer and water enterprises totaled \$350,000. This decrease was offset by the effects of a full year of utility rate increases in 2019; the sewer and water enterprises initiated rate increases mid-year in fiscal year 2018.

Total business-type expenditures increased approximately \$284,000, or 5.8%, year-over-year. A significant portion of this increase was due to significant, noncapitalizable repairs made in the water enterprise.

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 \$14 million, which is approximately \$2.4 million lower than the prior year. This decrease was due primarily to capital outlays of over \$1.2 million related to a land purchase and construction designs for a new fire station together with other infrastructure spending related to the continued development of the 129 Parker Street project, a significant portion of which was funded through grants from the Commonwealth. Of the ending fund balance approximately \$4.7 million is *available for spending* at the government’s discretion as *unassigned fund balance* in the general fund. The remainder is earmarked for specific expenditures.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was approximately \$4.7 million, while total general fund balance was over \$5.5 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 nearly 10% of total general fund expenditures, while total fund balance represents approximately 12% of that same amount.

The general fund reported a net decrease in its fund balance of over \$977,000. The decrease in the fund balance in the general fund was due primarily to significant transfers in 2019 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 \$108,000 increase in fund balance.

The Town’s aggregate nonmajor funds include the Town’s special revenue funds, capital projects and trust funds. The nonmajor funds reported an approximate \$1.5 million decrease in fund balance, primarily as a result 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 \$7.1 million and net position of the water fund amounted to approximately \$7.0 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, 2018, decreased approximately \$3.7 million as a result of negative investment performance in calendar year 2018. The Town contributed \$50,000 to its OPEB trust fund in 2019, which together with the positive investment returns in fiscal year 2019 resulted in an approximate \$118,000 increase in net position. In fiscal year 2019, expenditures from private purpose trust funds, which was entirely for scholarships, outpaced contributions and investment income; this resulted in a decrease of over \$22,000 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, 2019, amounted to approximately \$101.0 million, net of accumulated depreciation. This investment in capital assets includes land, buildings and system improvements, machinery and equipment and is relatively consistent with the prior year. In fiscal year 2019, capital additions exceeded depreciation expense, which resulted in a \$1.6 million increase 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. The Town is currently in the early stages of engineering and designing a fire station. Additional information on the Town capital assets can be found in the notes of this report.

Long-term Debt – At June 30, 2019, the Town had total long-term debt outstanding of approximately \$37.5 million. Of this amount approximately \$25.7 million represents general obligation bonds of governmental activities and approximately \$11.7 million represents general obligation bonds and notes of business-type activities.

The Town’s total long-term debt had a net decrease of approximately \$1.9 million in fiscal year 2019.

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 July 2018, 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 2020 is expected to decrease by nearly \$285,000 from 2019.
- The Town's real estate tax base is made up predominantly of residential taxes, which in setting the 2019 tax rate was approximately 86% 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 employs a dual tax rate for its property taxes, which assigns a higher property tax rate to its commercial and industrial taxpayers.
- Third party developers are currently developing a large mixed-use real estate development at 129 Parker Street. Once complete, the property will contain restaurants, condominium/apartments and other retail customers. The timing of completion is dependent on a number of factors including, but not limited to, the local and national economy, weather and the success of the developers in attracting "anchor" retail customers.
- 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 2020 at the May 2019 Town Meeting. The Town expects to set its fiscal year 2020 property tax rate in December 2019.

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, 2019**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 9,384,072	\$ 3,855,284	\$ 13,239,356
Investments	3,809,219	562,534	4,371,753
Receivables, net of allowances:			
Property taxes	1,270,168	-	1,270,168
Excise taxes	318,914	-	318,914
Departmental, user charges and other	53,266	2,273,674	2,326,940
Intergovernmental	4,314,492	386,354	4,700,846
Land	5,049,699	-	5,049,699
Construction in-progress	744,923	674,111	1,419,034
Depreciable capital assets, net	<u>73,636,623</u>	<u>20,853,018</u>	<u>94,489,641</u>
Total Assets	<u>98,581,376</u>	<u>28,604,975</u>	<u>127,186,351</u>
Deferred Outflows of Resources:			
Other postemployment benefits	4,730,729	166,506	4,897,235
Pensions	<u>5,837,538</u>	<u>205,462</u>	<u>6,043,000</u>
Total Deferred Outflows of Resources	<u>10,568,267</u>	<u>371,968</u>	<u>10,940,235</u>
Liabilities:			
Warrants and accounts payable	1,747,972	124,961	1,872,933
Accrued payroll and withholdings	1,111,064	-	1,111,064
Accrued interest	315,370	112,586	427,956
Other liabilities	12,052	-	12,052
Noncurrent liabilities:			
Due within one year	3,294,010	1,185,860	4,479,870
Due in more than one year	<u>95,950,892</u>	<u>13,104,190</u>	<u>109,055,082</u>
Total Liabilities	<u>102,431,360</u>	<u>14,527,597</u>	<u>116,958,957</u>
Deferred Inflows of Resources:			
Other postemployment benefits	7,398,873	260,416	7,659,289
Pensions	<u>841,386</u>	<u>29,614</u>	<u>871,000</u>
Total Deferred Inflows of Resources	<u>8,240,259</u>	<u>290,030</u>	<u>8,530,289</u>
Net Position:			
Net investment in capital assets	56,974,716	9,803,435	66,778,151
Restricted for:			
Nonexpendable permanent funds	23,705	-	23,705
Expendable permanent funds	1,147,438	-	1,147,438
Capital projects	1,298,975	-	1,298,975
Debt service	3,750,686	-	3,750,686
Other purposes	4,202,193	-	4,202,193
Unrestricted	<u>(68,919,689)</u>	<u>4,355,881</u>	<u>(64,563,808)</u>
Total Net Position	<u>\$ (1,521,976)</u>	<u>\$ 14,159,316</u>	<u>\$ 12,637,340</u>

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 3,858,049	\$ 392,760	\$ 120,428	\$ 232,293	\$ (3,112,568)		\$ (3,112,568)
Public safety	7,083,140	930,391	64,687	99,508	(5,988,554)		(5,988,554)
Education	36,993,439	1,776,347	11,440,980	123,373	(23,652,739)		(23,652,739)
Public works	4,491,790	88,560	-	2,449,075	(1,954,155)		(1,954,155)
Health and human services	380,054	449,151	86,168	-	155,265		155,265
Culture and recreation	1,210,242	37,505	71,305	-	(1,101,432)		(1,101,432)
Interest expense	774,429	-	-	-	(774,429)		(774,429)
Total Governmental Activities	54,791,143	3,674,714	11,783,568	2,904,249	(36,428,612)		(36,428,612)
Business-Type Activities:							
Sewer	2,948,335	3,487,350	-	1,084		\$ 540,099	540,099
Water	2,232,736	1,979,655	-	45,156		(207,925)	(207,925)
Total Business-Type Activities	5,181,071	5,467,005	-	46,240		332,174	332,174
Total Primary Government	\$ 59,972,214	\$ 9,141,719	\$ 11,783,568	\$ 2,950,489		332,174	(36,096,438)
General Revenues:							
Property taxes					31,484,423	-	31,484,423
Motor vehicle and other excise taxes					1,432,451	-	1,432,451
Grants and contributions not restricted to to specific programs					1,624,392	-	1,624,392
Penalties and interest on taxes					93,663	-	93,663
Unrestricted investment income					221,862	27,761	249,623
Other income					25,526	-	25,526
Total General Revenues and Transfers					34,882,317	27,761	34,910,078
Change in Net Position					(1,546,295)	359,935	(1,186,360)
Net Position:							
Beginning of year					24,319	13,799,381	13,823,700
End of year					<u>\$ (1,521,976)</u>	<u>\$ 14,159,316</u>	<u>\$ 12,637,340</u>

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019**

	General Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total
Assets:				
Cash and cash equivalents	\$ 4,791,483	\$ 814,942	\$ 3,777,647	\$ 9,384,072
Investments	2,537,586	-	1,271,633	3,809,219
Receivables, net of allowances:				
Property taxes	1,266,101	4,067	-	1,270,168
Excise taxes	318,914	-	-	318,914
Departmental, user charges and other	-	-	53,266	53,266
Intergovernmental	3,798,812	-	515,680	4,314,492
Total Assets	<u>12,712,896</u>	<u>819,009</u>	<u>5,618,226</u>	<u>19,150,131</u>
Total Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 12,712,896</u>	<u>\$ 819,009</u>	<u>\$ 5,618,226</u>	<u>\$ 19,150,131</u>
Liabilities:				
Warrants and accounts payable	\$ 1,240,265	\$ -	\$ 507,707	\$ 1,747,972
Accrued payroll and withholdings	1,111,064	-	-	1,111,064
Other liabilities	12,052	-	-	12,052
Total Liabilities	<u>2,363,381</u>	<u>-</u>	<u>507,707</u>	<u>2,871,088</u>
Deferred Inflows of Resources:				
Unavailable revenues - property taxes	1,184,292	4,067	-	1,188,359
Unavailable revenues - intergovernmental	3,336,509	-	-	3,336,509
Unavailable revenues - other	318,914	-	53,266	372,180
Total Deferred Inflows of Resources	<u>4,839,715</u>	<u>4,067</u>	<u>53,266</u>	<u>4,897,048</u>
Fund Balances:				
Nonspendable	-	-	23,705	23,705
Restricted	414,177	814,942	5,033,548	6,262,667
Committed	39,373	-	-	39,373
Assigned	385,939	-	-	385,939
Unassigned	4,670,311	-	-	4,670,311
Total Fund Balances	<u>5,509,800</u>	<u>814,942</u>	<u>5,057,253</u>	<u>11,381,995</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 12,712,896</u>	<u>\$ 819,009</u>	<u>\$ 5,618,226</u>	<u>\$ 19,150,131</u>

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION AS OF
JUNE 30, 2019**

Total Governmental Fund Balances		\$ 11,381,995
Capital assets used in governmental activities in the statement of net position are not financial resources and, therefore, are not reported in the funds.		79,431,245
Certain receivables and revenues are deferred in the governmental funds as they are not current financial resources. These revenues are accrued under the economic resources basis of accounting.		4,897,048
Deferred outflows and inflows of resources to be recognized in future expense are not available resources and, therefore, are not reported in the funds:		
Deferred outflows of resources - other postemployment benefits	4,730,729	
Deferred outflows of resources - pensions	5,837,538	
Deferred inflows of resources - other postemployment benefits	(7,398,873)	
Deferred inflows of resources - pensions	<u>(841,386)</u>	
Net effect of reporting deferred outflows and inflows of resources		2,328,008
Interest is accrued on outstanding long-term debt in the statement of net position but not in the funds until due.		(315,370)
Long-term liabilities not currently due and payable are reported in the statement of net position and not in the funds:		
Net other postemployment benefits liability	(53,283,082)	
Net pension liability	(18,339,510)	
Compensated absences	(1,821,376)	
Capital lease obligations	(58,230)	
Unamortized bond premiums	(129,058)	
Bonds and notes payable	<u>(25,613,646)</u>	
Net effect of reporting long-term liabilities		<u>(99,244,902)</u>
Net Position — Governmental Activities		<u>\$ (1,521,976)</u>

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total
Revenues :				
Property taxes, net of tax refunds	\$ 31,132,124	\$ 285,002	\$ -	\$ 31,417,126
Intergovernmental	12,145,285	50,091	4,819,228	17,014,604
Motor vehicle and other excise taxes	1,433,473	-	-	1,433,473
Licenses and permits	541,062	-	-	541,062
Penalties and interest on taxes	93,663	-	-	93,663
Fines and forfeitures	66,309	-	-	66,309
Departmental and other revenues	557,543	-	2,514,171	3,071,714
Contributions and donations	-	-	71,892	71,892
Investment income	172,006	2,427	47,429	221,862
Other income	-	-	25,526	25,526
Total Revenues	46,141,465	337,520	7,478,246	53,957,231
Expenditures:				
Current:				
General government	2,504,729	13,346	457,102	2,975,177
Public safety	4,995,351	-	1,486,683	6,482,034
Education	20,551,490	22,423	4,123,623	24,697,536
Public works	1,995,511	-	2,882,068	4,877,579
Health and human services	207,065	680	-	207,745
Culture and recreation	570,642	-	279,139	849,781
Pension and fringe benefits	11,371,370	-	-	11,371,370
State and county charges	1,170,299	-	-	1,170,299
Debt service:				
Principal	2,648,896	95,000	-	2,743,896
Interest	949,723	28,300	-	978,023
Total Expenditures	46,965,076	159,749	9,228,615	56,353,440
Excess (Deficiency) of Revenues Over (Under) Expenditures	(823,611)	177,771	(1,750,369)	(2,396,209)
Other Financing Sources (Uses):				
Transfers in	580,821	-	804,365	1,385,186
Transfers out	(734,365)	(70,000)	(580,821)	(1,385,186)
Total Other Financing Sources (Uses)	(153,544)	(70,000)	223,544	-
Net Change in Fund Balances	(977,155)	107,771	(1,526,825)	(2,396,209)
Fund Balances:				
Beginning of the year	6,486,955	707,171	6,584,078	13,778,204
End of the year	<u>\$ 5,509,800</u>	<u>\$ 814,942</u>	<u>\$ 5,057,253</u>	<u>\$ 11,381,995</u>

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

Net Change in Fund Balances — Total Governmental Funds \$ (2,396,209)

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. Capital asset activity in the current fiscal year included:

Capital asset additions	4,879,310	
Depreciation expense	(3,271,102)	
Net effect of reporting capital activity		1,608,208

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (712,383)

The issuance of long-term debt provides current financial resources to the 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, the governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued; whereas these amounts are deferred and amortized in the statement of activities. Differences in the treatment of long-term debt transactions in the current fiscal year included:

Repayments of long-term debt	2,743,896	
Repayments of capital lease obligations	55,488	
Amortization of bond premiums	18,342	
Net effect of reporting long-term debt activity		2,817,726

Some revenues/expenses reported in the statement of activities do not provide/require the use of current financial resources and therefore are not reported as revenues/expenses in the governmental funds:

Net other postemployment benefits liability	(1,730,014)	
Net pension liability	(1,325,352)	
Compensated absences	61,965	
Accrued interest	129,764	
Net effect of reporting long-term liabilities		(2,863,637)

Change in Net Position — Governmental Activities \$ (1,546,295)

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019**

	Business-Type Activities		
	Sewer	Water	Total
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 2,008,143	\$ 1,847,141	\$ 3,855,284
Investments	160,055	402,479	562,534
Receivables, net of allowances:			
User charges and other	1,404,157	869,517	2,273,674
Intergovernmental	3,650	91,585	95,235
Total Current Assets	3,576,005	3,210,722	6,786,727
Noncurrent Assets:			
Intergovernmental receivables	4,076	287,043	291,119
Construction in-progress	674,111	-	674,111
Depreciable capital assets, net	12,664,737	8,188,281	20,853,018
Total Noncurrent Assets	13,342,924	8,475,324	21,818,248
Total Assets	16,918,929	11,686,046	28,604,975
Deferred Outflows of Resources:			
Other postemployment benefits	58,767	107,739	166,506
Pensions	72,516	132,946	205,462
Total Deferred Outflows of Resources	131,283	240,685	371,968
Liabilities:			
Current Liabilities:			
Warrants and accounts payable	40,822	84,139	124,961
Accrued interest	91,003	21,583	112,586
Compensated absences	5,124	6,246	11,370
Current portion of long-term debt	649,490	525,000	1,174,490
Total Current Liabilities	786,439	636,968	1,423,407
Noncurrent liabilities:			
Compensated absences	15,372	18,736	34,108
Net other postemployment benefits liability	661,902	1,213,486	1,875,388
Net pension liability	227,820	417,670	645,490
Long-term debt	8,075,204	2,474,000	10,549,204
Total Noncurrent Liabilities	8,980,298	4,123,892	13,104,190
Total Liabilities	9,766,737	4,760,860	14,527,597
Deferred Inflows of Resources:			
Other postemployment benefits	91,911	168,505	260,416
Pensions	10,452	19,162	29,614
Total Deferred Inflows of Resources	102,363	187,667	290,030
Net Position:			
Net investment in capital assets	4,614,154	5,189,281	9,803,435
Unrestricted	2,566,958	1,788,923	4,355,881
Total Net Position	\$ 7,181,112	\$ 6,978,204	\$ 14,159,316

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

	Business-Type Activities		
	Sewer	Water	Total
Operating Revenues:			
Charges for services	\$ 3,133,598	\$ 1,967,505	\$ 5,101,103
Other operating revenues	353,752	12,150	365,902
Total Operating Revenues	3,487,350	1,979,655	5,467,005
Operating Expenses:			
Payroll and personnel costs	429,402	404,325	833,727
Operating costs	1,730,138	1,264,939	2,995,077
Depreciation	576,808	440,251	1,017,059
Total Operating Expenses	2,736,348	2,109,515	4,845,863
Operating Income (Loss)	751,002	(129,860)	621,142
Nonoperating Revenues (Expenses):			
Investment income	9,356	18,405	27,761
Interest expenses	(211,987)	(123,221)	(335,208)
Total Nonoperating Revenues (Expenses)	(202,631)	(104,816)	(307,447)
Income (Loss) Before Capital Contributions and Transfers	548,371	(234,676)	313,695
Capital Contributions and Transfers:			
Intergovernmental capital contributions	1,084	45,156	46,240
Total Capital Contributions and Transfers	1,084	45,156	46,240
Net Change in Net Position	549,455	(189,520)	359,935
Net Position:			
Beginning of the year	6,631,657	7,167,724	13,799,381
End of the year	\$ 7,181,112	\$ 6,978,204	\$ 14,159,316

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019**

	Business-Type Activities		
	Sewer	Water	Total
Cash Flows from Operating Activities:			
Receipts from user charges	\$ 3,122,503	\$ 1,968,535	\$ 5,091,038
Receipts from other operating revenues	353,752	12,150	365,902
Payments to employees	(396,574)	(341,002)	(737,576)
Payments to vendors	(1,705,724)	(1,217,667)	(2,923,391)
Net Cash Provided By Operating Activities	<u>1,373,957</u>	<u>422,016</u>	<u>1,795,973</u>
Cash Flows from Capital and Related Financing Activities:			
Proceeds from capital grants	4,487	126,633	131,120
Acquisition and construction of capital assets	(674,111)	(286,987)	(961,098)
Principal repayments on long-term debt	391,368	429,000	820,368
Interest payments	(202,630)	(110,571)	(313,201)
Net Cash (Used In) Provided By Capital and Related Financing Activities	<u>(480,886)</u>	<u>158,075</u>	<u>(322,811)</u>
Cash Flow from Investing Activities:			
Investment income	9,356	18,405	27,761
Investment of operating cash	(4,626)	(11,634)	(16,260)
Net Cash Provided By Investing Activities	<u>4,730</u>	<u>6,771</u>	<u>11,501</u>
Net Change in Cash and Cash Equivalents	897,801	586,862	1,484,663
Cash and Cash Equivalents:			
Beginning of the year	<u>1,110,342</u>	<u>1,260,279</u>	<u>2,370,621</u>
End of the year	<u>\$ 2,008,143</u>	<u>\$ 1,847,141</u>	<u>\$ 3,855,284</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:			
Operating Income (Loss)	\$ 751,002	\$ (129,860)	\$ 621,142
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:			
Depreciation expense	576,808	440,251	1,017,059
Changes in assets, deferred outflows (inflows) of resources and liabilities:			
Receivables and other current assets	(11,095)	1,030	(10,065)
Warrants payable and other current liabilities	24,414	47,272	71,686
Accrued and deferred benefits payable	32,828	63,323	96,151
Net Cash Provided By (Used In) Operating Activities	<u>\$ 1,373,957</u>	<u>\$ 422,016</u>	<u>\$ 1,795,973</u>

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019**

	Maynard Contributory Retirement (a)	OPEB Trust (b)	Pension and Other Employee Benefit Trust Funds (a) + (b)	Private Purpose Trust Funds	Agency Funds
	(a)	(b)	(a) + (b)		
Assets:					
Cash and cash equivalents	\$ 455,609	\$ 3,882	\$ 459,491	\$ 207,474	\$ 377,674
Investments at fair value:					
Fixed income securities	-	-	-	1,460,051	-
Equity securities	21,798,460	882,570	22,681,030	-	-
Mutual funds	-	380,932	380,932	-	-
PRIT	19,849,143	-	19,849,143	-	-
Receivables:					
Contributions	82,444	50,000	132,444	-	-
Open trades	71,983	-	71,983	-	-
Other	1,333	-	1,333	-	77,645
Total Assets	<u>42,258,972</u>	<u>1,317,384</u>	<u>43,576,356</u>	<u>1,667,525</u>	<u>455,319</u>
Liabilities:					
Warrants and accounts payable	39,312	-	39,312	-	30,097
Open trades	52,585	-	52,585	-	-
Planning board deposits	-	-	-	-	256,970
Agency liabilities	-	-	-	-	168,252
Total Liabilities	<u>91,897</u>	<u>-</u>	<u>91,897</u>	<u>-</u>	<u>\$ 455,319</u>
Net Position:					
Restricted for pensions	42,167,075	-	42,167,075	-	-
Restricted for other postemployment benefits	-	1,317,384	1,317,384	-	-
Held in trust for private purposes	-	-	-	1,667,525	-
Total Net Position	<u>\$ 42,167,075</u>	<u>\$ 1,317,384</u>	<u>\$ 43,484,459</u>	<u>\$ 1,667,525</u>	<u>-</u>

(a) As of December 31, 2018

See accompanying notes to basic financial statements.

TOWN OF MAYNARD, MASSACHUSETTS

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
JUNE 30, 2019**

	Maynard Contributory Retirement (a) <i>(a)</i>	OPEB Trust <i>(b)</i>	Pension and Other Employee Benefit Trust Funds <i>(a) + (b)</i>	Private Purpose Trust Funds
Additions:				
Employer contributions	\$ 2,328,100	\$ 1,797,177	\$ 4,125,277	\$ -
Employee contributions	1,024,847	-	1,024,847	-
Other contributions	<u>327,388</u>	<u>-</u>	<u>327,388</u>	<u>12,565</u>
Total contributions	<u>3,680,335</u>	<u>1,797,177</u>	<u>5,477,512</u>	<u>12,565</u>
Investment income:				
Interest and dividends	1,165,904	56,320	1,222,224	41,028
Net change in fair value of investments	(4,254,080)	15,894	(4,238,186)	-
Less investment management fees	<u>(260,462)</u>	<u>(4,144)</u>	<u>(264,606)</u>	<u>-</u>
Total net investment income	<u>(3,348,638)</u>	<u>68,070</u>	<u>(3,280,568)</u>	<u>41,028</u>
Other income	<u>3,299</u>	<u>-</u>	<u>3,299</u>	<u>-</u>
Total Additions	<u>334,996</u>	<u>1,865,247</u>	<u>2,200,243</u>	<u>53,593</u>
Deductions:				
Benefits and refunds to Plan members:				
Benefits to retirees and survivors	3,053,484	1,747,177	4,800,661	-
Member refunds	94,605	-	94,605	-
Transfers and reimbursements to other systems	732,039	-	732,039	-
Administrative expenses:				
Operations payroll and related personnel costs	59,509	-	59,509	-
Other administrative expenses	63,107	-	63,107	-
Public assistance:				
Scholarships	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,630</u>
Total Deductions	<u>4,002,744</u>	<u>1,747,177</u>	<u>5,749,921</u>	<u>75,630</u>
Net Change in Net Position	(3,667,748)	118,070	(3,549,678)	(22,037)
Net Position:				
Beginning of the year	<u>45,834,823</u>	<u>1,199,314</u>	<u>47,034,137</u>	<u>1,689,562</u>
End of the year	<u>\$ 42,167,075</u>	<u>\$ 1,317,384</u>	<u>\$ 43,484,459</u>	<u>\$ 1,667,525</u>

(a) As of and for the year ended December 31, 2018

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, 2019

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 other deposits held on behalf of others. 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.

The Town has entered into direct loan agreements with the Massachusetts Clean Water Trust (“MCWT”), formerly known as the Massachusetts Water Pollution Abatement Trust, whereby it expects to be subsidized by the MCWT in future years for debt service costs relative to its sewer business-type activities until the maturity of these loan agreements. The Town is legally obligated for the total amount of the debt; therefore, portions of future debt service subsidies have been recorded as intergovernmental receivables in the accompanying basic financial statements.

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 and other postemployment benefits liabilities as deferred outflows of resources in both its government-wide and business-type activities, which it expects to amortize into benefits expense within the next six 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 benefits expense within the next six 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 primarily represents amounts anticipated to be received in future periods from the Massachusetts School Building Authority (“MSBA”) for reimbursement of a portion of debt service payments 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 – nonspendable, restricted, committed, assigned, and unassigned as described below:

Nonspendable represents amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid items) 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 Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Perpetual permanent funds	\$ -	\$ -	\$ 23,705	\$ 23,705
Restricted:				
Expendable trusts	-	-	1,147,438	1,147,438
Community preservation	-	814,942	-	814,942
Debt service reserve	414,177	-	-	414,177
Capital projects	-	-	1,298,975	1,298,975
Federal and state grants	-	-	585,328	585,328
Revolving funds	-	-	2,001,807	2,001,807
Committed:				
General government	39,373	-	-	39,373
Assigned:				
General government	114,242	-	-	114,242
Education	138,335	-	-	138,335
Public works	86,962	-	-	86,962
Other purposes	46,400	-	-	46,400
Unassigned:				
Unrestricted	1,688,469	-	-	1,688,469
General stabilization	2,215,895	-	-	2,215,895
Capital stabilization	765,947	-	-	765,947
	<u>\$ 5,509,800</u>	<u>\$ 814,942</u>	<u>\$ 5,057,253</u>	<u>\$ 11,381,995</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, 2019, the Town reported \$385,939 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, 2019, the Town’s assessments for state and county charges exceeded appropriations by \$111,374. This deficit will be raised by the Town in its 2020 taxes. There were no other 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, 2019:

Investments by Fair Value Level	June 30, 2019	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level:				
Debt securities:				
U.S. treasury bonds	\$ 985,486	\$ 985,486	\$ -	\$ -
U.S. government agency bonds	3,308,136	-	3,308,136	-
Corporate bonds	967,917	-	967,917	-
Total debt securities	5,261,539	985,486	4,276,053	-
Equity securities	1,037,085	1,037,085	-	-
Mutual funds	625,394	-	625,394	-
Total investments by fair value level	6,924,018	\$ 2,022,571	\$ 4,901,447	\$ -
Investments measured at amortized cost:				
MMDT	171,288			
Total investments measured at fair value	\$ 7,095,306			

All 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, 2019, the Town had the following investment maturities:

	Fair Value	Time to Maturity		
		Within 1 Year	2 to 5 Years	6 to 10 Years
Investments Subject to Maturity Classification:				
Government securities	\$ 4,293,622	\$ 736,021	\$ 3,557,601	\$ -
Corporate fixed income	967,917	676,312	291,605	-
	<u>5,261,539</u>	<u>\$ 1,412,333</u>	<u>\$ 3,849,206</u>	<u>\$ -</u>
Investments Not Subject to Maturities:				
Equity securities	1,037,085			
Mutual funds	625,394			
MMDT	<u>171,288</u>			
Total Town Investments	<u>\$ 7,095,306</u>			

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, 2019, \$2,659,495 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, \$240,448 was rated by Moody’s Investors Service (“Moody’s”) as A1, \$371,556 was rated A2 and \$355,912 was rated Baa2. All of the Town’s government securities were rated Aaa by Moody’s.

Retirement System (as of December 31, 2018)

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, 2018:

<u>Investments by Fair Value Level</u>	<u>December 31 2018</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
Equity securities	\$ 21,798,460	\$ 21,798,460	\$ -	\$ -
Total investments by fair value level	<u>21,798,460</u>	<u>\$ 21,798,460</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at NAV:				
PRIT	<u>19,849,143</u>			
Total investments measured at fair value	<u>\$ 41,647,603</u>			

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

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, 2018, all 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, 2018, 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, 2018, represented approximately 47.6% of the Retirement System’s total investments:

PRIT Real Estate Fund	10.6%
PRIT Fixed Income Fund	10.1%
PRIT Value Added Fixed Income Fund	9.4%
PRIT Emerging Markets Fund	9.0%
PRIT Hedge Fund	8.5%

No other Retirement System investment represented more than 5% of the Retirement System’s total investments at December 31, 2018.

None of the Retirement System’s investments were subject to credit quality ratings from leading credit rating agencies. At December 31, 2018, uninsured short-term investment funds with fair values of \$447,942 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 99%) of its monetary assets as investment holdings.

B. Receivables

As of June 30, 2019, 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 Fund	Nonmajor Governmental Funds	Total Governmental Funds
Personal property taxes	\$ 34,766	\$ -	\$ -	\$ 34,766
Real estate taxes	423,663	2,194	-	425,857
Tax liens	807,672	1,873	-	809,545
Excise taxes	318,914	-	-	318,914
Ambulance and other	-	-	53,266	53,266
Intergovernmental - MSBA	3,336,509	-	-	3,336,509
Intergovernmental - other	462,303	-	515,680	977,983
	<u>\$ 5,383,827</u>	<u>\$ 4,067</u>	<u>\$ 568,946</u>	<u>\$ 5,956,840</u>

The Town did not record any allowances for uncollectible accounts as of June 30, 2019 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, 2019 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, 2019 in the governmental funds:

	General	Community Preservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
Personal property taxes	\$ 34,719	\$ -	\$ -	\$ 34,719
Real estate taxes	341,901	2,194	-	344,095
Tax liens and possessions	807,672	1,873	-	809,545
Excise taxes	318,914	-	-	318,914
Ambulance and other	-	-	53,266	53,266
Intergovernmental	3,336,509	-	-	3,336,509
	<u>\$ 4,839,715</u>	<u>\$ 4,067</u>	<u>\$ 53,266</u>	<u>\$ 4,897,048</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 \$3,336,509 at June 30, 2019 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 \$7,726 and \$378,628 as receivables in its sewer and water enterprise funds, respectively, at June 30, 2019. 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 \$818 and \$72,634 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, 2019 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 4,589,699	\$ 460,000	\$ -	\$ 5,049,699
Construction in-progress	-	744,923	-	744,923
Total capital assets not being depreciated	4,589,699	1,204,923	-	5,794,622
Capital assets being depreciated:				
Infrastructure	10,145,015	2,915,757	-	13,060,772
Buildings and improvements	88,973,925	526,418	-	89,500,343
Vehicles	1,882,264	74,382	-	1,956,646
Machinery and equipment	5,094,875	157,830	-	5,252,705
Total capital assets being depreciated	106,096,079	3,674,387	-	109,770,466
Less accumulated depreciation for:				
Infrastructure	(2,973,256)	(317,772)	-	(3,291,028)
Buildings and improvements	(26,414,991)	(2,348,113)	-	(28,763,104)
Vehicles	(918,597)	(231,744)	-	(1,150,341)
Machinery and equipment	(2,555,897)	(373,473)	-	(2,929,370)
Total accumulated depreciation	(32,862,741)	(3,271,102)	-	(36,133,843)
Total capital assets being depreciated, net	73,233,338	403,285	-	73,636,623
Capital assets, net	\$ 77,823,037	\$ 1,608,208	\$ -	\$ 79,431,245

<u>Business-Type Activities - Combined</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in-progress	\$ -	\$ 674,111	\$ -	\$ 674,111
Capital assets being depreciated:				
Infrastructure	36,104,099	261,125	-	36,365,224
Vehicles	153,248	-	-	153,248
Machinery and equipment	<u>2,055,584</u>	<u>25,861</u>	-	<u>2,081,445</u>
Total capital assets being depreciated	<u>38,312,931</u>	<u>286,986</u>	-	<u>38,599,917</u>
Less accumulated depreciation for:				
Infrastructure	(15,196,964)	(853,288)	-	(16,050,252)
Vehicles	(115,746)	(15,001)	-	(130,747)
Machinery and equipment	<u>(1,417,130)</u>	<u>(148,770)</u>	-	<u>(1,565,900)</u>
Total accumulated depreciation	<u>(16,729,840)</u>	<u>(1,017,059)</u>	-	<u>(17,746,899)</u>
Total capital assets being depreciated, net	<u>21,583,091</u>	<u>(730,073)</u>	-	<u>20,853,018</u>
Capital assets, net	<u>\$ 21,583,091</u>	<u>\$ (55,962)</u>	<u>\$ -</u>	<u>\$ 21,527,129</u>
<u>Business-Type Activities - Sewer</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in-progress	\$ -	\$ 674,111	\$ -	\$ 674,111
Capital assets being depreciated:				
Infrastructure	21,679,248	-	-	21,679,248
Vehicles	17,001	-	-	17,001
Machinery and equipment	<u>863,140</u>	-	-	<u>863,140</u>
Total capital assets being depreciated	<u>22,559,389</u>	-	-	<u>22,559,389</u>
Less accumulated depreciation for:				
Infrastructure	(8,728,315)	(524,463)	-	(9,252,778)
Vehicles	(17,001)	-	-	(17,001)
Machinery and equipment	<u>(572,528)</u>	<u>(52,345)</u>	-	<u>(624,873)</u>
Total accumulated depreciation	<u>(9,317,844)</u>	<u>(576,808)</u>	-	<u>(9,894,652)</u>
Total capital assets being depreciated, net	<u>13,241,545</u>	<u>(576,808)</u>	-	<u>12,664,737</u>
Capital assets, net	<u>\$ 13,241,545</u>	<u>\$ 97,303</u>	<u>\$ -</u>	<u>\$ 13,338,848</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	\$ 261,125	\$ -	\$ 14,685,976
Vehicles	136,247	-	-	136,247
Machinery and equipment	<u>1,192,444</u>	<u>25,861</u>	<u>-</u>	<u>1,218,305</u>
Total capital assets being depreciated	<u>15,753,542</u>	<u>286,986</u>	<u>-</u>	<u>16,040,528</u>
Less accumulated depreciation for:				
Infrastructure	(6,468,649)	(328,825)	-	(6,797,474)
Vehicles	(98,745)	(15,001)	-	(113,746)
Machinery and equipment	<u>(844,602)</u>	<u>(96,425)</u>	<u>-</u>	<u>(941,027)</u>
Total accumulated depreciation	<u>(7,411,996)</u>	<u>(440,251)</u>	<u>-</u>	<u>(7,852,247)</u>
Total capital assets being depreciated, net	<u>8,341,546</u>	<u>(153,265)</u>	<u>-</u>	<u>8,188,281</u>
Capital assets, net	<u>\$ 8,341,546</u>	<u>\$ (153,265)</u>	<u>\$ -</u>	<u>\$ 8,188,281</u>

Depreciation expense in the governmental activities was charged to functions/programs as follows:

General government	\$ 118,590
Public safety	397,876
Education	2,179,818
Public works	447,076
Health and human services	3,873
Culture and recreation	<u>123,869</u>
	<u>\$ 3,271,102</u>

D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2019 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	\$ -	\$ 734,365	\$ 734,365 (1)
Community preservation fund	-	70,000	70,000 (2)
Nonmajor governmental funds	<u>580,821</u>	<u>-</u>	<u>580,821</u> (3)
	<u>\$ 580,821</u>	<u>\$ 804,365</u>	<u>\$ 1,385,186</u>

- (1) General fund transferred \$700,000 to capital projects. Additionally, \$34,365 was transferred to several special revenue funds to remediate deficit fund balances.
- (2) Community preservation transfer to trust funds.
- (4) Approved transfer of receipts reserved for ambulance (\$295,000) and PEG access (\$285,821).

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 2019.

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, 2019:

Description of Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
General obligation bonds (a)	\$ 28,347,750	\$ -	\$ (2,739,000)	\$ 25,608,750	\$ 2,758,230
Unamortized bond premiums	147,400	-	(18,342)	129,058	17,310
Notes from direct borrowings and placements (a)	9,792	-	(4,896)	4,896	4,896
Capital lease obligation	113,718	-	(55,488)	58,230	58,230
Compensated absences	1,883,341	63,080	(125,045)	1,821,376	455,344
Net OPEB liability	49,006,644	13,411,384	(9,134,946)	53,283,082	-
Net pension liability	12,421,794	12,410,524	(6,492,808)	18,339,510	-
Total Governmental Activities	<u>\$ 91,930,439</u>	<u>\$ 25,884,988</u>	<u>\$ (18,570,525)</u>	<u>\$ 99,244,902</u>	<u>\$ 3,294,010</u>
<i>Business-Type Activities:</i>					
General obligation bonds and notes payable (a)	\$ 2,407,250	\$ 1,900,000	\$ (346,000)	\$ 3,961,250	\$ 421,770
Notes from direct borrowings and placements (a)	8,496,076	-	(733,632)	7,762,444	752,720
Compensated absences	56,867	-	(11,389)	45,478	11,370
Net OPEB liability	1,724,871	472,037	(321,520)	1,875,388	-
Net pension liability	437,206	435,030	(226,746)	645,490	-
Total Business-Type Activities	<u>\$ 13,122,270</u>	<u>\$ 2,807,067</u>	<u>\$ (1,639,287)</u>	<u>\$ 14,290,050</u>	<u>\$ 1,185,860</u>

(a) Reclassifications were made to beginning balances for the adoption of GASB Statement No. 88.

General obligation bonds and notes outstanding at June 30, 2019 were as follows:

Description	Interest Rate	Outstanding at June 30, 2018	Additions	Maturities and Retirements	Outstanding at June 30, 2019
<i>Governmental Activities:</i>					
General obligation bonds	1.04 - 4.17%	\$ 28,347,750	\$ -	\$ (2,739,000)	\$ 25,608,750
MCWT note	0.00%	9,792	-	(4,896)	4,896
		<u>28,357,542</u>	<u>-</u>	<u>(2,743,896)</u>	<u>25,613,646</u>
Unamortized premiums		147,400	-	(18,342)	129,058
Total Governmental Activities		<u>\$ 28,504,942</u>	<u>\$ -</u>	<u>\$ (2,762,238)</u>	<u>\$ 25,742,704</u>
<i>Business-Type Activities:</i>					
General obligation bonds	2.16 - 4.76%	\$ 2,407,250	\$ 1,900,000	\$ (346,000)	\$ 3,961,250
MCWT notes	0.00 - 5.50%	8,496,076	-	(733,632)	7,762,444
		<u>10,903,326</u>	<u>1,900,000</u>	<u>(1,079,632)</u>	<u>11,723,694</u>
Total Business-Type Activities		<u>\$ 10,903,326</u>	<u>\$ 1,900,000</u>	<u>\$ (1,079,632)</u>	<u>\$ 11,723,694</u>

Debt service requirements on long-term debt at June 30, 2019 are as follows:

Year Ended June 30,	Governmental Activities			
	General Obligation Bonds		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2020	\$ 2,758,230	\$ 1,086,509	\$ 4,896	\$ 135
2021	2,783,770	713,071	-	-
2022	2,801,750	606,708	-	-
2023	2,730,000	501,053	-	-
2024	1,815,000	405,966	-	-
2025-2029	8,080,000	1,296,534	-	-
2030-2033	4,640,000	287,964	-	-
	<u>\$ 25,608,750</u>	<u>\$ 4,897,805</u>	<u>\$ 4,896</u>	<u>\$ 135</u>

Business-Type Activities: Combined

Year Ended June 30,	General Obligation Bonds		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2020	\$ 421,770	\$ 136,452	\$ 752,720	\$ 166,017
2021	426,230	122,308	771,998	147,812
2022	413,250	108,038	778,190	131,297
2023	365,000	93,867	792,859	106,063
2024	330,000	80,871	482,731	88,507
2025-2029	870,000	287,388	2,569,099	292,063
2030-2034	620,000	145,167	1,614,847	52,887
2035-2039	515,000	46,041	-	-
	<u>\$ 3,961,250</u>	<u>\$ 1,020,132</u>	<u>\$ 7,762,444</u>	<u>\$ 984,646</u>

Business-Type Activities: Sewer

Year Ended June 30,	General Obligation Bonds		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2020	\$ 191,770	\$ 79,104	\$ 457,720	\$ 126,237
2021	191,230	72,371	466,998	116,923
2022	189,250	65,660	463,190	107,422
2023	155,000	58,835	472,859	98,063
2024	125,000	52,933	482,731	88,507
2025-2029	580,000	192,851	2,569,099	292,063
2030-2034	445,000	96,527	1,614,847	52,887
2035-2039	320,000	28,725	-	-
	<u>\$ 2,197,250</u>	<u>\$ 647,006</u>	<u>\$ 6,527,444</u>	<u>\$ 882,102</u>

Business-Type Activities: Water

Year Ended June 30,	General Obligation Bonds		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2020	\$ 230,000	\$ 57,348	\$ 295,000	\$ 39,780
2021	235,000	49,937	305,000	30,889
2022	224,000	42,378	315,000	23,875
2023	210,000	35,032	320,000	8,000
2024	205,000	27,938	-	-
2025-2029	290,000	94,537	-	-
2030-2034	175,000	48,640	-	-
2035-2039	195,000	17,316	-	-
	<u>\$ 1,764,000</u>	<u>\$ 373,126</u>	<u>\$ 1,235,000</u>	<u>\$ 102,544</u>

The following table includes authorized but unissued debt at June 30, 2019:

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 Town will expend \$61,107 in fiscal year 2020 as a final payment on this lease. Of this total, \$2,877 represents interest expense. The loader acquired through the capital lease has a book value of \$174,825. Accumulated depreciation of this loader at June 30, 2019 was \$26,224. The net book value of the loader at June 30, 2019 was \$148,601.

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, 2018 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, 2018 was as follows:

Active and inactive employees	192
Retirees and beneficiaries currently receiving benefits	<u>117</u>
	<u>409</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 creditable 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 \$2,254,998 to the Retirement System in fiscal year 2019, which equaled the actuarially determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll was approximately 24% in fiscal year 2019.

Net Pension Liability – At June 30, 2019, the Town reported a liability of \$18,985,000 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, 2018. There were no material changes to the Retirement System's benefit terms or actuarial assumptions in fiscal year 2019.

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, 2018, which was consistent with the proportion measured at December 31, 2017.

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, 2018 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 nearly \$3,627,000 in pension expense in the statement of activities in fiscal year 2019.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (dollar amounts are in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 848
Changes of assumptions	2,641	-
Net difference between projected and actual earnings on pension plan investments	3,402	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>-</u>	<u>23</u>
	<u>\$ 6,043</u>	<u>\$ 871</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>	
2020	\$ 1,688
2021	1,042
2022	843
2023	1,568
2024	<u>31</u>
	<u>\$ 5,172</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 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:

Asset Class	Target Allocation
Equity securities	55.0%
Fixed income securities	30.0%
Nontraditional assets	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%)
Net pension liability - Town's share	\$ 25,745	\$ 18,985	\$ 13,265

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, 2019, the Commonwealth contributed \$2,034,955 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 0.154775%, 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):

	Commonwealth Portion	Paid (or assumed) On Behalf of the Town	Town Portion
Net pension liability	\$ 36,699	\$ (36,699)	\$ -
Pension expense	3,719	(3,719)	-

The Town recognized \$3,718,927 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.

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 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, 2019, the Town’s average contribution rate was 9% of covered-employee payroll.

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2019:

Inactive employees or beneficiaries receiving benefits	165
Active employees	<u>337</u>
	<u>502</u>

Net OPEB Liability – The Town’s net OPEB liability was measured as of July 1, 2018 using an actuarial valuation as of that date. The components of the net OPEB Liability of the Town at June 30, 2019 were as follows:

Total OPEB liability	\$ 56,475,854
Plan fiduciary net position	<u>(1,317,384)</u>
Net OPEB liability	<u>\$ 55,158,470</u>
Plan fiduciary net position as a percentage of the total OPEB liability	2.33%

The total OPEB liability in the most recent actuarial valuation (dated July 1, 2018) was determined using the following key actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Investment rate of return	6.15% per annum
Single equivalent	3.50% net of OPEB Plan investment expenses, including inflation (Bond Buyer's 20 Bond Index)
Healthcare cost trend rates	8.0% initial decreasing to an ultimate rate of 4.5% per annum in 2025
Mortality	RP-2014 Fully Generational mortality table with projection scale MP-2018

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	34.72%	3.87%
International equity	21.38%	3.43%
Domestic bond	21.32%	4.81%
International bond	6.10%	7.42%
Alternatives	16.17%	0.55%
Cash and cash equivalents	<u>0.31%</u>	1.10%
	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total OPEB liability was 3.50%, 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, 2019:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2018	\$ 51,930,830	\$ 1,199,314	\$ 50,731,516
Changes for the year:			
Service cost	2,132,757	-	2,132,757
Interest	2,027,369	-	2,027,369
Differences between expected and actual experience	(3,449,037)	-	(3,449,037)
Changes in assumptions	5,581,112	-	5,581,112
Employer contributions	(1,747,177)	1,797,177	(3,544,354)
Net investment income	-	68,070	(68,070)
Benefit payments	-	(1,747,177)	1,747,177
Net changes	<u>4,545,024</u>	<u>118,070</u>	<u>4,426,954</u>
Balances at June 30, 2019	<u>\$ 56,475,854</u>	<u>\$ 1,317,384</u>	<u>\$ 55,158,470</u>

There were a number of changes in actuarial assumptions in the July 1, 2018 valuation report from the previous actuarial valuation report. The most notable changes included:

- The discount rate decreased to 3.50% at June 30, 2019 from 3.87% at June 30, 2018;
- Healthcare cost trends reach an ultimate rate of 4.5% in 2025 versus 2021; and
- Mortality tables were modified.

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 (2.50%)	Current Discount (3.50%)	1% Increase (4.50%)
Net OPEB liability	\$ 64,438,898	\$ 55,158,470	\$ 47,708,081

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:

	Healthcare Cost		
	1% Decrease (7.0% decreasing to 3.5%)	Trend Rates (8.0% decreasing to 4.5%)	1% Increase (9.0% decreasing to 5.5%)
Net OPEB liability	\$ 46,439,021	\$ 55,158,470	\$ 66,493,820

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2019, the Town recognized OPEB expense of \$3,588,080. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2019 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,477	\$ 3,457,039
Changes of assumptions	4,877,758	4,155,387
Net difference between projected and actual earnings on OPEB Plan investments	-	46,863
	<u>\$ 4,897,235</u>	<u>\$ 7,659,289</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,

2020	\$ (526,737)
2021	(526,737)
2022	(526,734)
2023	(517,184)
2024	(512,635)
Thereafter	<u>(152,027)</u>
	<u>\$ (2,762,054)</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, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 5.75%. 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, 2019, 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, 2019.

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 \$44.3 million 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 November 2016, the GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. The objective of the Statement was 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 became effective in fiscal year 2019 and did not have a material impact on the Town’s 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 was to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarified which liabilities governments should include when disclosing information related to debt. The provisions of this Statement became effective in fiscal year 2019 and did not have a material impact on the Town’s financial statements.

Future Year Implementations

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 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.

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to standardize the reporting of conduit debt obligations by issuers by clarifying the existing definition of conduit debt obligation, among other matters. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2020 (fiscal year 2022). 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, 2019, approximately 26% of revenues of the general fund were recognized from the Commonwealth of Massachusetts and the federal government.

TOWN OF MAYNARD, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
TOWN PENSION PLAN**

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

(dollar amounts are in thousands)

	Year Ended June 30,				
	2019	2018	2017	2016	2015
Town's proportion of the net pension liability	96.900%	96.900%	96.900%	97.200%	97.100%
Town's proportionate share of the net pension liability	\$ 18,985	\$ 12,859	\$ 14,870	\$ 15,203	\$ 10,962
Town's covered payroll	\$ 9,838	\$ 9,838	\$ 9,285	\$ 9,285	\$ 7,932
Town's proportionate share of the net pension liability as a percentage of its covered payroll	193.0%	130.7%	160.2%	163.7%	138.2%
Plan fiduciary net position as a percentage of the total net pension liability	69.3%	77.5%	72.0%	70.1%	71.5%

SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO THE PENSION PLAN

(dollar amounts are in thousands)

	Year Ended June 30,				
	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 2,255	\$ 2,128	\$ 2,007	\$ 1,900	\$ 1,791
Contributions in relation to the actuarially determined contribution	<u>2,255</u>	<u>2,128</u>	<u>2,007</u>	<u>1,900</u>	<u>1,791</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 9,838	\$ 9,838	\$ 9,285	\$ 9,285	\$ 7,932
Contributions as a percentage of covered payroll	22.9%	21.6%	21.6%	20.5%	22.6%

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

See accompanying independent auditors' report.

TOWN OF MAYNARD, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
MASSACHUSETTS TEACHERS RETIREMENT SYSTEM PENSION PLAN**

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

(dollar amounts are in thousands)

	Year Ended June 30,				
	2018	2017	2016	2015	2014
Commonwealth's proportion of the collective net pension liability	100.0%	100.0%	100.0%	100.0%	100.0%
Town's proportionate share of the collective net pension liability	0.0%	0.0%	0.0%	0.0%	0.0%
Commonwealth's proportionate share of the collective net pension liability	\$ 23,711,289	\$ 22,885,391	\$ 22,357,928	\$ 20,489,643	\$ 15,896,354
Commonwealth's actuarially determined contribution	\$ 1,314,783	\$ 1,235,515	\$ 1,124,583	\$ 1,021,930	\$ 937,379

Contributions to the MTRS are the responsibility of the Commonwealth of Massachusetts. Accordingly, the Town has not recognized any portion of the net pension liability relative to Town employees covered under the MTRS pension plan.

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

See accompanying independent auditors' report.

TOWN OF MAYNARD, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN**

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	Year Ended June 30,		
	2019	2018	2017
Total OPEB Liability:			
Service cost	\$ 2,132,757	\$ 2,552,199	\$ 2,381,424
Interest	2,027,369	1,781,240	1,921,276
Differences between actual and expected experience	(3,449,037)	(567,618)	-
Changes in assumptions	5,581,112	(5,573,607)	-
Benefit payments	(1,747,177)	(1,226,152)	(1,644,269)
Net Change in Total OPEB Liability	4,545,024	(3,033,938)	2,658,431
Total OPEB Liability:			
Beginning of year	51,930,830	54,964,768	52,306,337
End of year (a)	\$ 56,475,854	\$ 51,930,830	\$ 54,964,768
Plan Fiduciary Net Position:			
Contributions	\$ 1,797,177	\$ 1,316,152	\$ 1,744,269
Net investment income	68,070	81,189	30,477
Benefit payments	(1,747,177)	(1,226,152)	(1,644,269)
Net Change in Plan Fiduciary Net Position	118,070	171,189	130,477
Plan Fiduciary Net Position:			
Beginning of year	1,199,314	1,068,125	937,648
End of year (b)	\$ 1,317,384	\$ 1,239,314	\$ 1,068,125
Net OPEB Liability — End of Year (a) - (b)	\$ 55,158,470	\$ 50,691,516	\$ 53,896,643
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2.33%	2.39%	1.94%
Covered payroll	\$ 21,029,267	\$ 18,221,712	\$ 17,777,280
Net OPEB Liability as a Percentage of Covered Payroll	262.29%	278.19%	303.18%

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

See accompanying independent auditors' report.

TOWN OF MAYNARD, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN**

SCHEDULE OF CONTRIBUTIONS

	Year Ended June 30,		
	2019	2018	2017
Actuarially determined contribution	\$ 3,588,080	\$ 3,441,604	\$ 4,547,914
Contributions in relation to the actuarially determined contribution	<u>(1,797,177)</u>	<u>(1,276,152)</u>	<u>(1,844,269)</u>
Contribution deficiency (excess)	<u>\$ 1,790,903</u>	<u>\$ 2,165,452</u>	<u>\$ 2,703,645</u>
Covered payroll	\$ 21,029,267	\$ 18,221,712	\$ 17,777,280
Contribution as a percentage of covered payroll	8.55%	7.00%	10.37%

Notes to Schedule:

Valuation date	July 1, 2018
Asset valuation method	Market value of the assets as of the reporting date
Actuarial cost method	Individual entry age normal
Investment rate of return	6.15%
Single equivalent discount rate	3.50% net of OPEB Plan investment expenses, including inflation (Bond Buyer's 20 Bond Index)
Healthcare cost trend rates	8.0% initial decreasing to an ultimate rate of 4.5% in 2025
Mortality	RP-2014 Fully Generational mortality table with projection scale MP-2018

SCHEDULE OF INVESTMENT RETURNS

	Year Ended June 30,		
	2019	2018	2017
Annual money-weighted rate of return, net of investment expenses	5.75%	7.57%	6.17%

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

See accompanying independent auditors' report.

TOWN OF MAYNARD, MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual Budgetary Amounts	Encumbrances	Actual Budgetary Adjusted	Positive (Negative) Variance
	Original Budget	Final Budget				
Revenues :						
Property taxes, net of tax refunds	\$ 31,120,709	\$ 31,120,709	\$ 31,069,022		\$ 31,069,022	\$ (51,687)
Intergovernmental	8,221,295	8,221,295	8,426,358		8,426,358	205,063
Motor vehicle and other excise taxes	1,427,900	1,427,900	1,433,473		1,433,473	5,573
Licenses and permits	300,000	300,000	541,062		541,062	241,062
Penalties and interest on taxes	95,000	95,000	93,663		93,663	(1,337)
Fines and forfeitures	86,000	86,000	66,309		66,309	(19,691)
Departmental and other revenues	525,000	525,000	557,543		557,543	32,543
Investment income	36,000	36,000	79,393		79,393	43,393
Total Revenues	41,811,904	41,811,904	42,266,823		42,266,823	454,919
Expenditures:						
General government	2,404,997	3,014,997	2,712,076	\$ 153,615	2,865,691	149,306
Public safety	5,065,863	5,065,863	5,007,700	44,240	5,051,940	13,923
Education	20,691,826	20,691,826	20,551,490	138,335	20,689,825	2,001
Public works	2,139,619	2,449,619	2,301,994	86,962	2,388,956	60,663
Health and human services	214,272	214,272	207,065	2,160	209,225	5,047
Culture and recreation	572,822	572,822	570,642	-	570,642	2,180
Pension and fringe benefits	8,034,696	8,084,696	7,960,532	-	7,960,532	124,164
State and county charges	1,058,925	1,058,925	1,170,299	-	1,170,299	(111,374)
Debt service	3,610,701	3,610,701	3,598,619	-	3,598,619	12,082
Total Expenditures	43,793,721	44,763,721	44,080,417	425,312	44,505,729	257,992
Other Financing Sources (Uses):						
Transfers in	1,415,089	1,415,089	1,415,089		1,415,089	-
Transfers out	-	(1,113,000)	(1,147,365)		(1,147,365)	(34,365)
Total Other Financing Sources (Uses)	1,415,089	302,089	267,724		267,724	(34,365)
(Deficiency) Excess of Revenues and Other Financing Sources Over Expenditures/Use of Prior Year Budgetary Fund Balance						
	(566,728)	(2,649,728)	\$ (1,545,870)		\$ (1,971,182)	\$ 678,546
Other Budgetary Items:						
Prior year encumbrances	403,237	403,237				
Free cash	-	2,083,000				
Overlay release	100,000	100,000				
Bond premium amortization	63,491	63,491				
Total Other Budgetary Items	566,728	2,649,728				
Net Budget	\$ -	\$ -				

See notes to required supplementary information.

See accompanying independent auditors' report.

TOWN OF MAYNARD, MASSACHUSETTS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

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 appropriation balances from one expenditure account to another within each department without Town meeting approval. However, the transfer of unencumbered appropriation balances between departments must be approved by Town meeting. 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, 2019 is as follows:

	Basis of Accounting Differences	Fund Perspective Differences	Total
Revenues — budgetary basis			\$ 42,266,823
On-behalf payments	\$ 3,718,927	\$ -	3,718,927
Revenue recognition	63,102	-	63,102
Stabilization investment income	-	92,613	92,613
Revenues — GAAP basis	<u>\$ 3,782,029</u>	<u>\$ 92,613</u>	<u>\$ 46,141,465</u>
Expenditures — budgetary basis			\$ 44,080,417
On-behalf payments	\$ 3,718,927	\$ -	3,718,927
Accounting for indirect costs of enterprises funds	(834,268)	-	(834,268)
Expenditures — GAAP basis	<u>\$ 2,884,659</u>	<u>\$ -</u>	<u>\$ 46,965,076</u>
Net transfers — budgetary basis			\$ 267,724
Stabilization transfers	\$ -	\$ 413,000	413,000
Accounting for indirect costs of enterprises funds	(834,268)	-	(834,268)
Net transfers — GAAP basis	<u>\$ (834,268)</u>	<u>\$ 413,000</u>	<u>\$ (153,544)</u>