MAYNARD

RETIREMENT SYSTEM AUDIT REPORT

JAN. 1, 2015 - DEC. 31, 2019



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COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESO., Chairman

JOHN W. PARSONS, ESQ., Executive Director

Auditor SUZANNE M. BUMP | KATHLEEN M. FALLON | KATE FITZPATRICK | JAMES M. MACHADO | ROBERT B. McCARTHY | JENNIFER F. SULLIVAN

December 3, 2020

The Public Employee Retirement Administration Commission (PERAC) has completed a review of the audits of the Maynard Retirement System conducted by the firm of Roselli, Clark & Associates, LLC, Certified Public Accountants (RCA). RCA conducted these audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States. The audits covered the period from January 1, 2015 to December 31, 2019.

We conducted an inspection of the work papers prepared by RCA. We determined that the audits were conducted in a competent professional manner and the work papers demonstrated that audit tests and procedures were performed in sufficient detail to allow us to accept the final audit reports as issued.

We identified specific differences between these financial audits designed to provide an opinion on financial statements and our compliance audits performed in accordance with the accounting and management standards established by PERAC in regulation 840 CMR 25.00 and in compliance with the provisions specified in PERAC Memo #18/2019.

Accordingly, we supplemented the field work conducted in the audits by RCA with certain limited procedures designed to provide additional assurance that the accounting and management standards established by PERAC were adhered to and complied with. The specific objectives of our review were to determine: I) that the Board is exercising appropriate fiduciary oversight, 2) that cash balances are accurately stated, 3) that procurements of investments complied with 23B and that management fees paid were in accordance with contracts, 4) that travel expenses were properly documented and accounted for, 5) that retirement contributions are accurately deducted, 6) that retirement allowances were correctly calculated, and 7) that required member documentation is maintained.

To achieve these objectives, we inspected certain records of the Maynard Retirement Board in the above areas. Specifically, we reviewed the minutes of the Board meetings for compliance with fiduciary oversight, verified cash balances, examined a sample of investment procurements and recalculated management fees charged. We tested a sample of travel expenses for Board approvals, supporting documentation and proper accounting. We tested the payroll records of a sample of active members to confirm that the correct percentage of regular compensation is being deducted, including the additional two percent over \$30,000. We tested a sample of members who retired





Maynard Audit Report December 3, 2020 Page 2

during our audit period to verify that their retirement allowance was calculated in accordance with the statute. We also reviewed a sample of member files for accuracy and completeness.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by PERAC.

We commend the Maynard Retirement Board for the exemplary operation of the system.

It should be noted that the financial statements included in this audit report were based on the work performed by RCA and the tests conducted for the periods referenced in their opinions. These audits were not performed by employees or representatives of PERAC. It should also be noted that the opinions expressed in these audit reports were based on the laws and regulations in effect at the time.

The financial statements and footnotes presented in this report were limited to the express results as of and for the years ended December 31, 2019, December 31, 2018, December 31, 2016, and December 31, 2015.

In closing, I wish to acknowledge the work of Roselli, Clark & Associates, who conducted these examinations, PERAC examiners, Carol Poladian and Ernie Calavritinos, who conducted limited procedures to supplement the field work, and express my appreciation to the Maynard Retirement Board and staff for their courtesy and cooperation.

ohn W. Parsons, Esq.

Executive Director

SUPPLEMENTARY INFORMATION

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

	AS OF DECEMBER 31, 2019				
		PERCENTAGE			
		OF TOTAL			
	MARKET VALUE	ASSETS			
Cash	\$482,202	1.0%			
Equities	24,614,981	49.8%			
Pooled International Equity Funds	3,762,174	7.6%			
Pooled Domestic Fixed Income Funds	11,859,412	24.0%			
Pooled Real Estate Funds	4,887,832	9.9%			
Hedge Funds	3,821,061	7.7%			
PRIT Cash Fund	<u>357</u>	<u>0.0</u> %			
Grand Total	<u>\$49,428,019</u>	<u>100.0%</u>			

For the year ending December 31, 2019, the rate of return for the investments of the Maynard Retirement System was 18.11%. For the five-year period ending December 31, 2019, the rate of return for the investments of the Maynard Retirement System averaged 7.04%. For the 35-year period ending December 31, 2019, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Maynard Retirement System was 7.96%.

The composite rate of return for all retirement systems for the year ending December 31, 2019 was 16.9%. For the five-year period ending December 31, 2019, the composite rate of return for the investments of all retirement systems averaged 7.95%. For the 35-year period ending December 31, 2019, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.22%.

SUPPLEMENTARY INFORMATION (Continued)

ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the Town Accountant who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex-officio Member: Michael Guzzo

Appointed Member: Kevin Petersen Serves until a successor is appointed

Elected Member: Clifford Wilson Term Expires: 3/31/21

Elected Member: Patrick Hakey Term Expires: 3/31/23

Appointed Member: Christopher Connolly, Sr, Chairman Term Expires: 3/31/22

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board. The PERAC Actuary performs verification prior to payment, unless the system has obtained a waiver for superannuation calculations allowing them to bypass this requirement. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

Retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts. Fidelity insurance is the only required policy coverage under Ch. 32 §21 and §23 as well as 840 CMR 17.01. The policy is designed to cover specific intentional acts such as theft, fraud or embezzlement and also specify who commits such acts, most commonly employees of the system. This coverage reimburses the system for the losses it suffers as a result of its employees' actions. It does not insure the employees for their illegal acts. Statutorily required coverage is provided by the current fidelity insurance policy to a limit of \$1,000,000 with a \$10,000 deductible issued through Travelers Casualty and Surety Company. The system also has Fiduciary coverage to a limit of \$50,000,000 under a blanket policy issued through the Massachusetts Association of Contributory Retirement Systems.

BOARD REGULATIONS

The Maynard Retirement Board has adopted Supplemental Regulations which are available on the PERAC website at https://mass.gov/maynard-retirement-board-regulations.

SUPPLEMENTARY INFORMATION (Continued)

ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the Public Employee Retirement Administration Commission as of January 1, 2019.

The actuarial liability for active members was	\$27,972,317
The actuarial liability for vested terminated members was	1,220,974
The actuarial liability for non-vested terminated members was	329,141
The actuarial liability for retired members was	33,036,600
The total actuarial liability was	\$62,559,032
System assets as of that date were (actuarial value)	45,174,559
The unfunded actuarial liability was	\$ <u>17,384,473</u>
The ratio of system's assets to total actuarial liability was	72.2%
As of that date the total covered employee payroll was	\$10,039,007

The normal cost for employees on that date was 8.9% of payroll The normal cost for the employer including expenses was 12.8% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 6.75% per annum

Rate of Salary Increase: Varies by group and service

SCHEDULE OF FUNDING PROGRESS AS OF JANUARY 1, 2019

	Actuarial	Actuarial	Unfunded			UAAL as a
Actuarial	Value of	Accrued	AAL	Funded	Covered	% of
Valuation	Assets	Liability	(UAAL)	Ratio	Payroll	Cov. Payroll
Date	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
1/1/2019	\$45,174,559	\$62,559,032	\$17,384,473	72.2%	\$10,039,007	173.2%
1/1/2017	\$39,829,606	\$56,511,117	\$16,681,511	70.5%	\$9,838,096	169.6%
1/1/2015	\$34,530,666	\$49,974,876	\$15,444,210	69.1%	\$9,285,160	166.3%
1/1/2013	\$28,225,657	\$43,836,068	\$15,610,411	64.4%	\$7,932,121	196.8%
1/1/2011	\$27,520,532	\$38,320,073	\$10,799,541	71.8%	\$7,715,688	140.0%

SUPPLEMENTARY INFORMATION (Continued)

MEMBERSHIP EXHIBIT

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Dating and in Dark Value	2010	2011	2012	2013	2011	2013	2010	2017	2010	2017
Retirement in Past Years										
Superannuation	4	11	5	5	2	7	4	7	6	10
Ordinary Disability	0	0	0	0	0	0	0	0	0	0
Accidental Disability	0	0	0	1	0	0	0	0	0	0
Total Retirements	4	11	5	6	2	7	4	7	6	10
Total Retirees, Beneficiaries and										
Survivors	89	93	98	103	102	108	108	113	117	127
Total Active Members	208	186	189	185	208	204	220	218	213	208
Pension Payments										
Superannuation	\$1,271,198	\$1,362,109	\$1,584,879	\$1,688,903	\$1,677,375	\$1,792,959	\$1,913,078	\$1,957,328	\$2,070,115	\$2,235,35
Survivor/Beneficiary Payments	62,594	69,378	76,484	105,883	120,989	161,303	167,463	179,794	180,121	184,88
Ordinary Disability	55,5 4 0	57,083	48,308	36,759	27,195	17,309	17,759	18,209	18,659	19,10
Accidental Disability	216,967	205,340	188,948	204,410	224,970	209,763	212,463	215,163	217,863	220,56
Other	173,179	142,755	243,681	235,773	246,584	239,877	222,377	234,584	257,604	251,68
Total Payments for Year	\$ <u>1,</u> 779,478	\$ <u>1,836,665</u>	\$2,142,300	\$2,271,728	\$2,297,113	\$ <u>2,</u> 421,211	\$2,533,141	\$2,605,078	\$2,744,363	\$2,911,59

ROSELLI, CLARK & ASSOCIATES Certified Public Accountants

RCA CPA

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM

(a Component Unit of the Town of Maynard, Massachusetts)

Report on Examination of Basic Financial Statements and Additional Information

Year Ended December 31, 2019

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM (A Component Unit of the Town of Maynard, Massachusetts)

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INDEPENDENT AUDITORS' REPORT

To the Maynard Retirement Board Maynard Contributory Retirement System Maynard, Massachusetts

We have audited the accompanying financial statements of the Maynard Contributory Retirement System (the "System"), a component unit of the Town of Maynard, Massachusetts, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the System'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 System as of December 31, 2019, and the changes in financial position for the year then ended in accordance 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 a 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 May 21, 2020 on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 System's internal control over financial reporting and compliance.

Roselli, Clark & Associates Certified Public Accountants

Woburn, Massachusetts

May 21, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Maynard Contributory Retirement System's (the "System") financial performance provides an overview of the System's financial activities for the calendar year ended December 31, 2019. You should read it in conjunction with the basic financial statements, footnotes and required supplementary information that follows this discussion.

Financial Highlights

The System's funding objective is to meet long-term benefit obligations through contributions and investment income. The System's actuary estimates that the System is approximately 76% funded at December 31, 2019.

The System's fiduciary net position increased nearly \$7.3 million in 2019 to approximately \$49.4 million. Current year additions of approximately \$11.4 million exceeded deductions of approximately \$4.1 million. The current year increase in fiduciary net position was far more favorable that the prior year's reported decrease of approximately \$3.7 million. The System's investment performance for 2019, net of investment management fees, was nearly 16.5% versus -2.4% in 2018. The 2019 net investment return for the System exceeded its long-term expected discount rate, which is currently 6.75%.

The benchmark U.S. equity indices were down significantly in the first quarter of 2020. The volatility in U.S. markets is historic and primarily due to the COVID-19 pandemic, which sparked liquidations of equities and debt securities causing market prices of nearly all investment securities to plummet. Additionally, declining worldwide oil prices further exacerbated the situation. The System maintains approximately half of its investments in global equities, which were among the poorest performing investments during this period. However, the liquid nature of these investments permits the System to react quickly to market conditions. The System's next complete actuarial valuation will be based on the market value of its investments at December 31, 2020, which will include the first quarter of 2020's investment results. The System currently uses a 6.75% discount rate, which is lower than the average discount rate used by public pension systems in the Commonwealth and far lower than the System's five, ten and thirty-year average returns, as published by PERAC.

Overview of the Financial Statements

The basic financial statements are comprised of the Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Notes to Financial Statements and Required Supplementary Information. The basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP; specifically, GASB Statement No. 67, Financial Reporting for Pension Plans.

The Statement of Fiduciary Net Position reports the System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position restricted for pensions. This statement reflects the System's investments at fair value, as well as cash, receivables and other assets and liabilities. Over time, the increase or decrease in fiduciary net position serves as a useful indicator of the System's financial health and condition.

The Statement of Changes in Fiduciary Net Position reports additions to and deductions from the System during the. This statement reflects contributions by members and participating employers along with deductions for retirement benefits, refunds, withdrawals and administrative expenses. Investment income, including realized and unrealized gains, during the year is also presented.

The Notes to the Financial Statements provide additional information that is essential for the reader to gain a full understanding of the data provided in the financial statements.

This report also includes Required Supplementary Information following the Notes to the Financial Statements that consist the schedules of changes in net pension liability and related ratios, investment returns and contributions and the notes to the schedule of contributions.

Financial Analysis

The condensed comparative Statements of Net Position for the two most recent years are as follows:

	December 31,		Dollar	Percent
	2019	2018	Change	Change
Assets:				
Cash and cash equivalents	\$ 482,558	\$ 455,609	\$ 26,949	6%
Investments, at fair value	48,945,461	41,647,603	7,297,858	18%
Receivables and other assets	156,901	155,760	1,141	1%
Total Assets	49,584,920	42,258,972	7,325,948	17%
Liabilities	161,383	91,897	69,486	76%
Fiduciary Net Position	\$ 49,423,537	\$ 42,167,075	\$ 7,256,462	17%

Total assets at December 31, 2019 approximated \$49.6 million and principally consisted of investments recorded at fair value. Total asset increased by approximately \$7.3 million in 2019, which was due primarily to a positive investment portfolio performance of nearly 16.5%. Receivables and liabilities are not material to the System at either December 31, 2019 or 2018.

The condensed comparative Statements of Changes in Fiduciary Net Position for the two most recent years are as follows:

	Year Ended December 31,		Dollar	Percent
	2019	2018	Change	Change
Additions:				
Contributions	\$ 4,050,523	\$ 3,683,634	\$ 366,889	10%
Investment income, net	7,328,428	(3,348,638)	10,677,066	319%
Total Additions	11,378,951	334,996	11,043,955	3297%
Deductions:				
Benefits and refunds to Plan members	4,002,829	3,880,128	122,701	3%
Administrative and other expenses	119,660	122,616	(2,956)	-2%
Total Deductions	4,122,489	4,002,744	119,745	3%
Change in Fiduciary Net Position	\$ 7,256,462	\$ (3,667,748)	\$ 10,924,210	298%

Fiduciary net position increased nearly \$7.3 million in 2019, which was primarily as a result of net investment earnings for the year.

Contributions to the System's Fiduciary Net Position primarily include employer and employee contributions in addition to transfers from other retirement systems. Contributions for 2019 totaled nearly \$4.1 million versus \$3.7 million in 2018.

Employer contributions represent the largest source of System contributions. In 2019, employer contributions totaled approximately \$2.5 million, or 61%, in of total contributions. Employer contributions are actuarially determined. Employee contributions totaled approximately \$1.0 million in 2019, which was consistent with the prior year.

Other contributions increased over \$217,000 year-over-year. This increase was due primarily to an increase in membership transfers from other Massachusetts public pension systems, which is a function of timing and employment trends/movements.

Investment income is presented net of associated investment management expenses. In 2019, the System reported over \$7.3 million in net investment income versus a loss of approximately \$3.3 million in 2018. The System's money-weighted rates of return for 2019 and 2018 were approximately 16.5% and -2.4%, respectively.

Deductions to the System's Fiduciary Net Position primarily include pension benefits to members and beneficiaries, refunds to inactive members, transfers and reimbursements to other Massachusetts public retirement systems and administrative expenses. Total deductions in 2019 were approximately 3% greater than total 2018 deductions.

Pension benefits to members and beneficiaries represents the largest deduction from Fiduciary Net Position for the System. Pension benefits to members and beneficiaries represented approximately 80% and 76% of total 2019 and 2018 deductions, respectively. Pension benefits to members and beneficiaries increased approximately \$232,000, or 8%, in 2019. This increase was due to a greater average number of beneficiaries paid year-over-year coupled with the normal annual cost-of-living adjustments paid by the System.

The increase in pension benefits to members and beneficiaries was offset by an approximate \$109,000 decrease in transfers and reimbursements to other Massachusetts public retirement systems, which is a function of timing and employment trends/movements.

Administrative expenses were relatively consistent year-over-year.

Overall Financial Position

The System's positive investment performance in 2019 permitted it to maintain an approximate 76% funded ratio at December 31, 2019. The System's 30-year investment return as published by PERAC significantly exceeds the discount rate used by the System in its actuarial studies (6.75% and 7.0% at December 31, 2019 and 2018, respectively). Provided the System continues to garner strong investment performances, it is possible that the System will achieve fully funded status on or before the expected date included in latest actuarial valuation of 2036.

The System maintains a large portion of its investments in pooled funds. Approximately 18% of these funds invest in private equity, hedge funds or real estate. The determination of the value of these investments is very subjective and the ultimate amount of gains and losses in some of these funds will not be determined until the underlying assets (i.e., the real estate or stock in the private companies) are sold. Furthermore, these types of investments are not as liquid as investments in savings accounts, money markets, certificates of deposits, government securities or debt and equity securities in publicly held U.S. corporations. You should refer to Notes 2 and 4 to these financial statements.

Although the System has been successful in garnering the yields necessary to achieve fully funded status in the required time frame, the System (like so many other institutional investors) has experienced a great deal of volatility in its investments. Management believes that the volatility in the worldwide markets may continue for the foreseeable future. Accordingly, management intends to actively monitor the System's investment positions to best maximize returns while mitigating risk as best as it can.

Contacting the System's Financial Management Personnel

Our discussion and analysis is designed to provide the Maynard Retirement Board, our membership, taxpayers, investors and creditors with a general overview of the System's financial results and to demonstrate the System's accountability for the funding it receives. If you have any questions about this report or need additional financial information, contact the Retirement Office at 195 Main Street, Maynard, Massachusetts 01754.

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Maynard, Massachusetts)

STATEMENT OF FIDUCIARY NET POSITION DECEMBER 31, 2019

Assets:		
Cash and cash equivalents	\$	482,558
Investments, at fair value:		,
Equity securities		24,614,981
PRIT		24,330,480
Receivables:		
Contributions		83,997
Open trades		72,252
Other		652
Total Assets	_	49,584,920
Liabilities:		
Accounts payable and accrued expenses		33,812
Open trades		127,571
Total Liabilities	_	161,383
Net Position Restricted for Pensions	\$	49,423,537

See accompanying notes to basic financial statements.

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Maynard, Massachusetts)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION YEAR ENDED DECEMBER 31, 2019

Additions:	
Employer contributions	\$ 2,467,800
Employee contributions	1,028,119
Other contributions	544,772
Total contributions	4,040,691
Investment income:	
Interest and dividends	1,207,018
Net appreciation in fair value of investments	6,375,257
Less investment management fees	(253,847)
Total net investment income	7,328,428
Other income	9,832
Total Additions	11,378,951
Deductions:	
Benefits and refunds to Plan members:	
Benefits to retirees and survivors	3,285,123
Member refunds	24,972
Transfers and reimbursements to other systems Administrative expenses:	692,734
Operations payroll and related personnel costs	61,080
Other	58,580
Total Deductions	4,122,489
Change in Net Position	7,256,462
Net Position Restricted for Pensions:	
Beginning of the year	42,167,075
End of the year	\$ 49,423,537

See accompanying notes to basic financial statements.

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM (A Component Unit of the Town of Maynard, Massachusetts)

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

1. DESCRIPTION OF THE PLAN

General – The Maynard Contributory Retirement System (the "System") is a cost-sharing, multiemployer defined benefit pension plan established and administered by the Maynard Retirement Board under the provisions of Chapter 32 of the Massachusetts General Laws ("MGL"), as amended, to provide pension benefits for participants. The System is a component unit of the Town of Maynard (the "Town"). The Town and the Maynard Housing Authority ("MHA") contribute to the System.

Employees of the Town (with the exception of teachers and certain administrative personnel employed by the School Department who participate in a separate plan) and the MHA are covered by the System. Participation in the System is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

At December 31, 2019, membership in the System consisted of:

Retirees and beneficiaries currently receiving benefits	127
Active plan members	208
Inactive plan members	87
Total	422

Plan Benefits – Massachusetts contributory retirement system benefits are uniform from one public pension system to another. For employees with service dates beginning before April 2, 2012, the System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest consecutive three-year average annual rate of regular compensation. For those employees who began their service after April 2, 2012, the System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest consecutive five-year average annual rate of regular compensation. Benefit payments are based upon a participant's age, length of creditable service, level of compensation and group classification.

The retirement allowance consists of two parts – an annuity and a pension. Participants' accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and annuity is the pension.

Participants who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total contributions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive interest, which has accrued on those contributions. A vested employee who has not reached their eligible retirement age and elects to leave their accumulated total deductions on deposit may apply for benefits upon reaching their eligible retirement age.

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

Retirement Requirements – In order to receive retirement benefits, participants must meet one of the following two categories:

- 1) Normal Retirement Generally, normal retirement occurs between ages 65 and 67. However, most participants with a hire date before April 2, 2012, may retire after twenty years of creditable service or at any time after attaining age 55. For most participants hired on or after April 2, 2012, they must attain the age of 60 before they can retire. 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 or 60, as applicable. Participants become vested after ten years of creditable service. Benefits commencing before age 65 are generally provided at a reduced rate. However, members working in certain occupations may retire with full benefits earlier than age 65.
- 2) Disability Retirements The System provides for both an ordinary and accidental disability retirement. An ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. An accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of their 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. In addition, certain provisions are in place relative to death benefits for beneficiaries of employees who die in active service.

Public Availability of Financial Statements – The Maynard Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Maynard Retirement Board, 195 Main Street, Maynard, Massachusetts 01754.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements of the System have been prepared on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer is legally required to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the pension plan.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America, or GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand deposits and short-term holdings with original maturities of three months or less from the date of acquisition.

Investments – The carrying amounts of the System's investments approximates fair value. When actively quoted observable prices are not available, the System 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 System 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 System'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 are shown at net asset value ("NAV"). These are investments in non-governmental entities for which a 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 fair value of the System's investments by type as of December 31, 2019:

	December 31,	Fair Va	nts Using	
Investments By Fair Value Level	2019	Level 1	Level 2	Level 3
Equity securities	\$ 24,614,981	\$ 24,614,981	<u>\$</u> _	<u>\$</u> -
Total investments by fair value level	24,614,981	\$ 24,614,981	<u>\$</u>	<u>\$</u>
Investments measured at NAV: PRIT funds	24,330,480			
Total investments measured at fair value	\$ 48,945,461			

The PRIT funds are 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.

3. SYSTEM ADMINISTRATION

The System is administered by a five-person Board consisting of the Town Accountant, two members who are elected by the participants in or retired from the service of the System, one member appointed by the Town, and one member appointed by the other members of the Board.

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At the time of this report, the Board was comprised as follows:

		<u>Term Expires</u>
Ex-Officio Member:	Mr. Michael Guzzo	No Specified Date
Appointed Member:	Mr. Kevin Petersen	No Specified Date
Elected Member:	Ms. Jean Ignachuck	April 1, 2020
Elected Member:	Mr. Clifford Wilson	April 1, 2021
Board Appointed Member:	Mr. Christopher Connolly, Sr.	April 1, 2022

The Board is required to meet at least once a month and keep a record of its proceedings. The Board annually submits a financial statement of condition for the System with the Commissioner of PERAC.

4. DEPOSITS AND INVESTMENTS

MGL and PERAC regulations require the System to invest funds only in preapproved investment instruments, which include, but are not necessarily limited to, bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, certain corporate bonds and equities and investment pools.

Custodial Credit Risk: Deposits – Deposits are subject to the risk of bank failure. The System may be unable to recover the full amount of its deposits in any one bank institution in the event of a bank failure. The System's policy for custodial credit risk of deposits is to rely on Federal Deposit Insurance Corporation insurance coverage for the first \$250,000 of deposits held at each financial institution. At December 31, 2019, the System had bank deposits of \$93,167 exposed to custodial credit risk because it was uninsured and uncollateralized.

Investment Policy – The investment of the System's funds is the responsibility of the Board. The Board manages its investments using a September 2018 investment policy. The investment objective is to pursue return and manage risk by adopting a broad-based approach to asset class diversification. The Board believes that applied prudently this plan will provide sufficient flexibility to adapt to changing global investment dynamics and maximize the System's ability to meet its long-term objectives. Furthermore, the investment policy establishes benchmarks by asset class to compare its actual performance against.

The System's investment policy outlines a target allocation for its investments. Boston Advisors, the System's external investment advisor, monitors target allocations and reports these metrics to the Board quarterly. The investment policy requires that asset classes that fall out of compliance with the target allocations must be cured within sixty days.

The System's portfolio target weights at the broad asset class level were as follows:

	Target
Asset Class	Allocation
Equity securities	55.0%
Fixed income	30.0%
Non-traditional asset classes	7.5%
Real estate	7.5%

Investment Management – Boston Advisors provided investment advisory services to the System throughout all of 2019. The System may terminate this service agreement for various reasons including, but not limited to, certain breaches of contract.

Custody of Investments – People's United Bank ("PUB") is the custodian of the System's investment portfolio. PUB held all System investment securities at December 31, 2019 and provided investment transaction and reporting services throughout all 2019.

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The 2019 money-weighted rate of return was approximately 16.47%.

Custodial Credit Risk: Investments – Custodial credit risk for investments is the risk that in the event of a failure of the counterparty the System will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The System's policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the System. At December 31, 2019, the System was not exposed to custodial credit risk on its investments.

Foreign Currency Risk: Investments – Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or deposit. The System did not directly hold any investments denominated in foreign currency at December 31, 2019.

Concentration of Credit Risk: Investments – The System's investment policy prohibits its ownership of any domestic or international equity holding whose value exceeds 5% of the System's total investment balance. The following investments in pooled funds held by the System at December 31, 2019 represent approximately 49.8% of the System's total investments:

PRIT Fixed Income Fund	15.4%
PRIT Real Estate Fund	10.0%
PRIT Value Added Fixed Income Fund	8.9%
PRIT Hedge Fund	7.8%
PRIT Emerging Markets Fund	7.7%

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 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.

Securities Credit Risk: Investments – In the case of investments, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. As previously noted, MGL and PERAC have enacted regulations to reduce this risk. In evaluating its credit risk, the System relies on credit ratings assigned by nationally recognized credit rating agencies like Moody's Investors Services and Standard and Poor's Financial Services. The System does voluntarily self-impose certain investment restrictions; however, those can be changed at the Board's discretion. The System does maintain a significant portion (approximately 99%) of its monetary assets as investment holdings.

None of the System's investments were subject to credit quality ratings from leading credit rating agencies. At December 31, 2019, uninsured short-term investment funds with fair values of \$473,729 were reported as cash equivalents. These funds represent temporary holdings of excess cash resources. The 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.

5. FUNDING

Employer Contributions – Under MGL, participating employers are assessed their share of the total retirement cost based on an independent actuarial study. Employer contributions totaled \$2,467,800 in 2019.

Employee Contributions – Employee contribution rates vary based on when an employee commenced their creditable service. Active members contribute 5%, 7%, 8% or 9% of their gross regular compensation depending on when their creditable service commenced. Employees hired on or before January 1, 1979 contribute an additional 2% of their regular gross compensation over \$30,000.

Cost of Living Adjustments – Cost-of-living adjustments granted between 1981 and 1997 and any increase in other pension benefits imposed by the Commonwealth of Massachusetts during those years are the financial responsibility of the Commonwealth. The Commonwealth is expected to continue funding the cost-of-living amounts granted over this period for the duration of their selected retirement option. Cost-of-living adjustments granted after 1997 must be approved and funded by the System. Cost-of-living adjustments cannot exceed the greater of CPI or 3%. The System approved a 3% cost-of-living adjustment on the first \$15,000 of pension benefits.

6. NET PENSION LIABILITY

The System is statutorily required to adopt the funding schedule that will fully amortize the unfunded actuarial accrued liability by June 30, 2040. As of the latest actuarial valuation, the System has selected a funding schedule that fully amortizes the unfunded actuarial accrued liability by June 30, 2036.

The components of the System's net pension liability at December 31, 2019 (dollar amounts are in thousands) were as follows:

Total pension liability	\$ 65,157
Plan fiduciary net position	 49,424
Net pension liability	\$ 15,733
Plan fiduciary net position as a percentage of	
total pension liability	75.9%

The total pension liability was determined by an actuarial valuation as of January 1, 2019 and updated to roll forward to December 31, 2019. The significant actuarial assumptions used in the actuarial valuation report included:

Actuarial cost method: Entry age normal

Amortization method: Top payments increasing 6.0% until fiscal year 2034,

with a final amortization in fiscal year 2035

Remaining amortization period: 15 years from July 1, 2020

Asset valuation method: Market value

Investment rate of return: 6.75% per annum (formerly 7.0%)

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-2014 Blue Collar

Employees table projected generationally with Scale

MP-2018 (gender distinct).

Post-retirement rates reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with

Scale MP-2018 (gender distinct).

For disabled retirees, the mortality rate is assumed to be in accordance with RP-2014 Healthy Annuitant table projected generationally with Scale MP-2018 (gender

distinct) and set forward one year.

It is assumed that 55% of pre-retirement deaths are jobrelated for group 1 and 2 members and 90% are jobrelated for group 4 members. For members retired under an Accidental Disability, 40% of deaths are assumed to be from the same cause as the disability.

Discount Rate – The discount rate used to measure the total pension liability in the January 1, 2019 actuarial valuation report was 6.75%, which is a reduction from the discount rate used in the previous actuarial valuation (7.0%). 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 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.

Expected Real Rate of Return – The long-term expected rate of return on System investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The System's investment policy sets long-term expected rates of returns using a representative benchmark index for each major asset class in the System's target asset allocation (see the discussion of the System's investment policy in Note 4). The following table summarizes these target benchmarks:

Asset Class	Corresponding Benchmark
Equity securities:	
Domestic	S&P 500/Russell 2000 blend
International	FTSE All World Ex-US Index/MSCI Emerging Markets Index blend
Fixed income	Barclays Capital Aggregate Bond Index
Non-traditional asset classes	HFRI Fund of Funds Composite Index
Real estate	FTSE NAREIT US Index

Sensitivity Analysis – The following illustrates the net position liability at December 31, 2019 calculated using the current discount rate of 6.75%, as well as the projection of what the net position liability would be if it were calculated using a discount rate that is 1.0% lower or higher than the current rate (dollar amounts in thousands):

Current		Net	Pen	sion Liability	At	
Discount Rate	1%	Decrease	<u>C</u> u	irrent Rate	19	6 Increase
6.75%	\$	23,059	\$	15,733	\$	9,525

7. LEGALLY REQUIRED RESERVE ACCOUNTS

Net position restricted for pensions at December 31, 2019 were comprised of the following legally required reserves:

Description	Amount	Purpose
Annuity Savings Fund	\$ 9,314,681	Active members' contribution balance
Annuity Reserve Fund	3,094,087	Retired members' contribution balance
Pension Fund	421,444	Amounts appropriated to fund future retirement
Military Service Fund	33,363	Members' contributions while on military leave
Pension Reserve Fund	36,559,962	Remaining net assets
Total	<u>\$ 49,423,537</u>	

8. COMMITMENTS AND CONTINGENCIES

The System is subject to a variety of claims that arise from time to time in the ordinary course of business. Although management of the System currently believes that resolving claims against the System, individually or in aggregate, will not have a material adverse impact on the System's financial position or its results of operations, these matters are subject to inherent uncertainties and management's views of these matters may change in the future.

9. SUBSEQUENT EVENT

In March 2020, the World Health Organization declared the breakout of the novel coronavirus COVID-19 as a pandemic. Subsequent to this declaration, worldwide bond and equity markets experienced significant volatility. Substantial liquidation of investments caused market prices for virtually all investment classes to decline significantly. While the System expects this matter to negatively impact its Fiduciary Net Position, the ultimate financial impact cannot be reasonably estimated at this time.

* * * * * *

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Maynard, Massachusetts)

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

(dollar amounts are in thousands)

		2019	_	2018	_	2017	_	2016	_	2015	_	2014
Total pension liability: Service cost Interest Differences between expected and actual experience Changes in assumptions Benefit payments, including refunds	\$	1,791 4,174 (1,630) 2,484 (3,421)	\$	1,770 4,147 - (3,263)	\$	1,694 3,842 (994) 2,900 (3,068)	\$	1,507 3,925 - (3,067)	\$	1,442 3,618 (694) 2,600 (2,802)	\$	1,209 3,561 - (2,627)
Net change in total pension liability	_	3,398	_	2,654	_	4,374		2,365	_	4,164	_	2,143
Total pension liability - beginning of year	_	61,759	_	59,105		54,731	_	52,366	_	48,202	_	46,059
Total pension liability - end of year (a)	\$	65,157	\$	61,759	\$	59,105	\$	54,731	\$	52,366	\$	48,202
Plan fiduciary net position: Contributions - employer Contributions - employee Contributions - nonemployer contributing entities Net investment income Benefit payments, including refunds Administrative expenses Other Net change in plan fiduciary net position	\$	2,468 1,028 545 7,328 (4,003) (119) 10 7,257	\$ 	2,328 1,025 327 (3,349) (3,880) (123) 4 (3,668)	\$ 	2,196 997 327 6,496 (3,448) (119) 1 6,450	\$	2,072 916 273 2,823 (3,313) (117) 6 2,660	\$	1,955 904 199 (47) (3,117) (82)	\$	1,847 886 240 3,211 (2,822) (90)
Plan fiduciary net position - beginning of year	_	42,167	_	45,835	_	39,385	_	36,725	_	36,913	_	33,641
Plan fiduciary net position - end of year (b)	\$	49,424	\$	42,167	\$	45,835	\$	39,385	\$	36,725	\$	36,913
Net pension liability - end of year (a) - (b)	\$	15,733	\$	19,592	\$	13,270	\$	15,346	\$	15,641	\$	11,289
Plan fiduciary net position as a percentage of the total pension liability		75.85%		68.28%		77.55%		71.96%		70.13%		76.58%
Covered payroll	\$	10,039	\$	9,838	\$	9,838	\$	9,285	\$	9,285	\$	7,932
Net pension liability as a percentage of covered payroll		156.72%		199.15%		134.89%		165.28%		168.45%		142.32%

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.

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Maynard, Massachusetts)

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

SCHEDULE OF CONTRIBUTIONS

 $(dollar\ amounts\ are\ in\ thousands)$

	_	2019	_	2018		2017		2016	_	2015	_	2014
Actuarially-determined contribution Contributions in relation to the actuarially-	\$	2,468	\$	2,328	\$	2,196	\$	2,072	\$	1,955	\$	1,865
determined contribution	_	2,468	_	2,328	_	2,196	_	2,072	_	1,955	_	1,865
Contribution deficiency (excess)	\$	-	\$	-	\$		\$		\$	_	\$	<u> </u>
Covered payroll	\$	10,039	\$	9,838	\$	9,838	\$	9,285	\$	9,285	\$	7,932
Contribution as a percentage of covered payroll		24.58%		23.66%		22.32%		22.32%		21.06%		23.51%

SCHEDULE OF INVESTMENT RETURNS

	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of						
investment expense	16.47%	-2.39%	16.70%	7.93%	-0.62%	10.63%

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.

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM (A Component Unit of the Town of Maynard, Massachusetts)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

A. CHANGES OF BENEFIT TERMS

The System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the System's benefit terms in 2019.

B. SIGNIFICANT ACTUARIAL ASSUMPTIONS AND METHODS

The significant actuarial assumptions used in the January 1, 2019 report were as follows:

Actuarial cost method: Entry age normal

Amortization method: Top payments increasing 6.0% until fiscal year 2034, with

a final amortization in fiscal year 2035

Remaining amortization period: 15 years from July 1, 2020

Asset valuation method: Market value

Investment rate of return: 6.75% per annum (formerly 7.0%)

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-2014 Blue Collar

Employees table projected generationally with Scale MP-

2018 (gender distinct).

Post-retirement rates reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with

Scale MP-2018 (gender distinct).

For disabled retirees, the mortality rate is assumed to be in accordance with RP-2014 Healthy Annuitant table projected generationally with Scale MP-2018 (gender

distinct) and set forward one year.

It is assumed that 55% of pre-retirement deaths are jobrelated for group 1 and 2 members and 90% are job-related for group 4 members. For members retired under an Accidental Disability, 40% of deaths are assumed to be

from the same cause as the disability.

C. SIGNIFICANT CHANGES TO ACTUARIAL ASSUMPTIONS

The discount rate used in the current valuation decreased to 6.75% from 7.0%. In addition, the System changed the mortality tables used in the most current actuarial valuation report.



ROSELLI, CLARK & ASSOCIATES CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Maynard Retirement Board Maynard Contributory Retirement System Maynard, Massachusetts

We have audited, 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, the financial statements of the Maynard Contributory Retirement System (the "System"), a component unit of the Town of Maynard, Massachusetts, as of and for the year ended December 31, 2019, and the related notes to the financial statements which collectively comprise the System's basic financial statements and have issued our report thereon dated May 21, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Roselli, Clark & Associates Certified Public Accountants Woburn, Massachusetts

May 21, 2020



ROSELLI, CLARK & ASSOCIATES CERTIFIED PUBLIC ACCOUNTANTS

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To the Maynard Retirement Board Maynard Contributory Retirement System Maynard, Massachusetts

We have audited the accompanying schedule of employer allocations of the Maynard Contributory Retirement System (the "System"), a component unit of the Town of Maynard, Massachusetts, as of and for the year ended December 31, 2019. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources and total pension expense (specified column totals) included in the accompanying schedule of pension amounts by employer of the System as of and for the year ended December 31, 2019, and the related notes thereto.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these schedules 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 the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer 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 Audit 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 schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer, 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 schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer 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 schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer.

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 schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities of the System as of and for the year ended December 31, 2019, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the System as of and for the year ended December 31, 2019, and our report thereon, dated May 21, 2020 expressed an unmodified opinion on those financial statements.

Roselli, Clark & Associates Certified Public Accountants

Woburn, Massachusetts

May 21, 2020

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Maynard, Massachusetts)

SCHEDULE OF EMPLOYER ALLOCATIONS YEAR ENDED DECEMBER 31, 2019

Dollar amounts are in thousands

	Actual		Employer	
	Em	ployer	Allocation	
Employer	Contr	ributions	Percentage	
Town of Maynard Maynard Housing Authority	\$	2,393 75	96.9% 3.1%	
		13		
Total	_\$	2,468	100.0%	

See notes to schedule of employer allocation and schedule of pension amounts by employer.

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER YEAR ENDED DECEMBER 31, 2019

Dollar amounts are in thousands

	Т	own of		aynard ousing		
	M	aynard	Au	thority		Total
Net pension liability	\$	15,245	\$	488	\$	15,733
Deferred outflows of resources:						
Differences between actual and expected experience	\$	-	\$	-	\$	-
Changes of assumptions		3,730		119		3,849
Changes in proportion and differences between employer						
contributions and proportionate share of contributions				13	_	13
Total deferred outflows of resources	\$	3,730	\$	132	\$	3,862
Deferred inflows of resources:						
Differences between actual and expected experience Net difference between projected and actual investment earnings	\$	1,879	\$	60	\$	1,939
on pension plan investments		1,157		37		1,194
Changes of assumptions		-		-		-
Changes in proportion and differences between employer		1.2				10
contributions and proportionate share of contributions		13			_	13
Total deferred inflows of resources	\$	3,049	\$	97	\$	3,146
Pension expense (income):						
Proportionate share of plan pension expense	\$	3,153	\$	101	\$	3,254
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and						
proportionate share of contributions		(9)		9		
Total employer pension expense (income)	\$	3,144	\$	110	\$	3,254

See notes to schedule of employer allocation and schedule of pension amounts by employer.

NOTES TO PENSION PLAN SCHEDULES AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

A. INTRODUCTION

GASB Statement No, 68, Accounting and Financial Reporting for Pensions, establishes financial reporting requirements for governments that provide employees with pension benefits. GASB 68 requires employers to recognize a net pension liability or net pension asset as employees earn pension benefits. Employers participating in the Maynard Contributory Retirement System (the "Retirement System") will recognize their proportionate share of the collective pension amounts for all benefits provided by the Retirement System.

B. METHOD OF PROPORTIONATE SHARE ALLOCATION

The basis for the proportionate share allocation by employer as found in the Schedule of Employer Allocations and Schedule of Pension Amounts by Employer is consistent with the manner in which employer contributions to the Retirement System are determined. The net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense is based upon actual historical employer contributions to the Retirement System from the census data submitted to the Retirement System for pay periods ending December 31, 2019.

C. EXPECTED FUTURE AMORTIZATION OF DEFERRED BALANCES

The following table (dollar amounts are in thousands) summarizes the expected amortization of the deferred outflows of resources and inflows of resources into pension expense.

Measurement Period Ended December 31:	 own of aynard	Ho	ynard ousing thority	 Total
2020	\$ 313	\$	23	\$ 336
2021	113		4	117
2022	839		27	866
2023	(699)		(22)	(721)
2024	 115		3	118
	\$ 681	\$	35	\$ 716

Report on Examination of Basic Financial Statements and Additional Information

Year Ended December 31, 2018

Report on Internal Control and Compliance Year Ended December 31, 2018



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INDEPENDENT AUDITORS' REPORT

To the Maynard Retirement Board Maynard Contributory Retirement System Maynard, Massachusetts

We have audited the accompanying financial statements of the Maynard Contributory Retirement System (the "System"), a component unit of the Town of Maynard, Massachusetts, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the System'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.

Maynard Contributory Retirement System

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the System as of December 31, 2018, and the changes in financial position for the year then ended in accordance 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 a 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 April 29, 2019 on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 System's internal control over financial reporting and compliance.

Roselli, Clark & Associates Certified Public Accountants

Roselli Clark & Associates

Woburn, Massachusetts

April 29, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Maynard Contributory Retirement System's (the "System") financial performance provides an overview of the System's financial activities for the calendar year ended December 31, 2018. You should read it in conjunction with the basic financial statements, footnotes and required supplementary information that follows this discussion.

Financial Highlights

The System's funding objective is to meet long-term benefit obligations through contributions and investment income. At December 31, 2018, the System's funded ratio was approximately 68% based on the actuarial value of assets at that date. The System's actuary projects the System to be fully funded by December 31, 2035.

The System's money-weighted return on investments, net of investment management fees, was approximately -2.4% in 2018. The negative return on investments in 2018 was due primarily to a significant decline in the U.S. equity markets in the fourth calendar quarter of 2018. Prior to the fourth calendar quarter, the U.S. equity markets were on track to meet or exceed the System's targeted annual investment return (currently 7.0% per annum). It's important to note that the U.S. equity markets rebounded significantly in the first calendar quarter of 2019, which was erased nearly all of the fourth calendar quarter of 2018's losses.

This negative return on investments was the primary contributor to the nearly \$3.7 million decrease in the System's fiduciary net position in 2018.

Overview of the Financial Statements

This discussion and analysis is intended as an introduction to the System's basic financial statements. The basic financial statements are comprised of a Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Notes to Financial Statements and Required Supplementary Information.

Statement of Fiduciary Net Position – presents information on the System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position restricted for pensions. This statement reflects the System's investments at fair value, as well as cash, receivables and other assets and liabilities. Over time, the increase or decrease in net position serves as a useful indicator of the System's financial health and condition.

Statement of Changes in Net Position – presents information showing how the System's fiduciary net position changed during the year. It reflects contributions by members and participating employers along with deductions for retirement benefits, refunds, withdrawals and administrative expenses. Investment income, including realized and unrealized gains on pooled investments, during the year is also presented.

Notes to the Financial Statements – provide additional information that is essential for the reader to gain a full understanding of the data provided in the financial statements.

Required Supplementary Information – includes this management's discussion and analysis and various unaudited schedules.

Maynard Contributory Retirement System

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Financial Analysis

Fiduciary Net Position

The System's total assets as of December 31, 2018 approximated \$42.3 million and principally consisted of investments in equities and pooled investment funds. Total assets decreased nearly \$3.7 million, or approximately 8.0%, from December 31, 2017. System liabilities primarily consist of open trades and various trade payables at both December 31, 2018 and 2017.

	December 31,		
	2018	2017	
Assets:			
Cash and cash equivalents	\$ 455,609	\$ 505,029	
Investments, at fair value	41,647,603	45,314,351	
Receivables and other assets	155,760	115,609	
Total Assets	42,258,972	45,934,989	
Liabilities	91,897	100,166	
Fiduciary Net Position	\$ 42,167,075	\$ 45,834,823	

Change in Fiduciary Net Position

The negative annual investment return in 2018 resulted in negative net investment income of over \$3.3 million. The 2018 net investment return was -2.4% versus a 16.7% net return in 2017. The negative investment return was the primary cause of the nearly \$3.7 million decrease in fiduciary net position in 2018.

	Year Ended December 31, 2018 2017
Additions:	
Contributions	\$ 3,683,634 \$ 3,520,37
Investment income, net	(3,348,638) 6,496,410
Total Additions	334,996 10,016,78
Deductions:	
Benefits and refunds to Plan members	3,880,128 3,477,986
Administrative and other expenses	122,616 119,275
Total Deductions	4,002,744 3,597,264
Change in Fiduciary Net Position	\$ (3,667,748) \$ 6,419,522

Additions – The amount needed to finance pension benefits is accumulated through the collection of employers and employees' contributions, reimbursements from the Commonwealth of Massachusetts for pre-1998 Cost of Living Adjustments and through earnings on investments. In 2018, contributions from the employers and employees increased by over \$163,000. This increase was due primarily to an increase in employer contributions (i.e., appropriations) of over \$131,000. Employer contributions represent over \$2.3 million, or approximately 63.3%, of total contributions. Employer contributions are determined by actuarial valuation.

As previously noted, the money-weighted rate of return, net of investment expense, was approximately -2.4% in 2018 versus 16.7% in 2017. This caused to the significant decrease in net investment income year-over-year.

Deductions – The primary deductions for the System include the payment of pension benefits to participants and beneficiaries, refunds of contributions and the costs of administering the system. Benefit payments in 2018 were over \$402,000, or 11.6%, greater than 2017 benefit payments. This increase was due primarily to an increase in member transfers from the System into other Massachusetts retirement systems as well as an increase in the number of beneficiaries paid year-over-year. Administrative expenses were fairly consistent year-over-year.

Overall Financial Position

The System's actuarially estimated funding ratio decreased from nearly 78% at December 31, 2017 to 68% at December 31, 2018 as a result of the System's negative net investment return in 2018 and the decision to reduce the long-term expected rate of investment return, which is commonly referred to as the discount rate, from 7.5% to 7.0% per annum.

U.S. equity markets rebounded significantly in the first calendar quarter of 2019, erasing virtually all the 2018 investment losses incurred by the System, which if that trend continues for the duration of 2019, will have positive impacts to the System's funding ratio at December 31, 2019. The decrease in the discount rate is a common trend in public pension systems. Management does not expect that its discount rate will be reduced significantly in future actuarial studies.

The current investment mix employed by the System causes its investment return to lag the returns posted by the major U.S. stock market indices during "bull" equity cycles. However, the System has adopted this investment strategy as a means to better hedge against potential significant downside market risk present within the U.S. stock market. Management believes that the volatility in the stock markets may continue for the foreseeable future. Accordingly, management intends to actively monitor the System's investment positions to best maximize returns while mitigating risk within prudent fiduciary expectations.

Contacting the System's Financial Management Personnel

Our discussion and analysis is designed to provide the Maynard Retirement Board, our membership, taxpayers, investors and creditors with a general overview of the System's financial results and to demonstrate the System's accountability for the funding it receives. If you have any questions about this report or need additional financial information, contact the Retirement Office at 195 Main Street, Maynard, Massachusetts 01754.

Maynard Contributory Retirement System

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MAYNARD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Maynard, Massachusetts)

STATEMENT OF FIDUCIARY NET POSITION DECEMBER 31, 2018

A 4		
Assets:		4.5.500
Cash and cash equivalents	\$	455,609
Investments, at fair value:		
Equity securities		21,798,460
PRIT		19,849,143
Receivables:		
Contributions		82,444
Open trades		71,983
Other		1,333
Total Assets		42,258,972
Liabilities:		
Accounts payable and accrued expenses		39,312
Open trades		52,585
Total Liabilities		91,897
		. 1,057
Net Position Restricted for Pensions	<u>\$</u>	42,167,075

See accompanying notes to basic financial statements.

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Maynard, Massachusetts)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION YEAR ENDED DECEMBER 31, 2018

Additions:	
Employer contributions	\$ 2,328,100
Employee contributions	1,024,847
Other contributions	327,388
Total contributions	3,680,335
Investment income:	
Interest and dividends	1,165,904
Net appreciation in fair value of investments	(4,254,080)
Less investment management fees	(260,462)
Total net investment income	(3,348,638)
Other income	3,299
Total Additions	334,996
Deductions:	
Benefits and refunds to Plan members:	
Benefits to retirees and survivors	3,053,484
Member refunds	94,605
Transfers and reimbursements to other systems Administrative expenses:	732,039
Operations payroll and related personnel costs	59,509
Other	63,107
Total Deductions	4,002,744
Net Change in Net Position	(3,667,748)
Net Position Restricted for Pensions:	
Beginning of the year	45,834,823
End of the year	\$ 42,167,075

See accompanying notes to basic financial statements.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

1. DESCRIPTION OF THE PLAN

General – The Maynard Contributory Retirement System (the "System") is a multi-employer defined benefit pension plan established and administered by the Maynard Retirement Board under the provisions of Chapter 32 of the Massachusetts General Laws, as amended, to provide pension benefits for participants. The System is a component unit of the Town of Maynard (the "Town"). The Town and the Maynard Housing Authority ("MHA") contribute to the System.

Employees of the Town (with the exception of teachers and certain administrative personnel employed by the School Department who participate in a separate plan) and the MHA are covered by the System. Participation in the System is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

At December 31, 2018, membership in the System consisted of:

Retirees and beneficiaries currently receiving benefits	117
Active plan members	213
Inactive plan members	<u>79</u>
Total	<u>409</u>

Plan Benefits – Massachusetts contributory retirement system benefits are uniform from system to system. For employees with service dates beginning before April 2, 2012, the System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest consecutive three-year average annual rate of regular compensation. For those employees who began their service after April 2, 2012, the System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest consecutive five-year average annual rate of regular compensation. Benefit payments are based upon a participant's age, length of creditable service, level of compensation and group classification.

The retirement allowance consists of two parts – an annuity and a pension. Participants' accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and annuity is the pension.

Participants who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total contributions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive interest, which has accrued on those contributions. A vested employee who has not reached their eligible retirement age and elects to leave his accumulation on deposit may apply for benefits upon reaching that age.

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

Maynard Contributory Retirement System

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Retirement Requirements – In order to receive retirement benefits, participants must meet one of the following two categories:

Normal Retirement – Generally, normal retirement occurs between ages 65 and 67. However, most participants with a hire date before April 2, 2012, may retire after twenty years of service or at any time after attaining age 55. For most participants hired on or after April 2, 2012, they must attain the age of 60 before they can retire. 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 or 60, as applicable. Participants become vested after ten years of service. Benefits commencing before age 65 are generally provided at a reduced rate. However, members working in certain occupations may retire with full benefits earlier than age 65.

Participants who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 may request a refund of their accumulated total contributions. In addition, depending on the number of years of creditable service, these employees may be entitled to interest that has accrued on their contributions. A vested employee under the age of 55 who elects to leave his accumulated contributions on deposit may apply for pension benefits upon reaching his eligible retirement age.

<u>Disability Retirements</u> – The System provides for both an ordinary disability retirement, where a participant is permanently incapacitated from a cause unrelated to employment, and an accidental disability retirement, where the disability is the result of an injury or illness received or aggravated in the performance of one's duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status. In addition, certain provisions are in place relative to death benefits for beneficiaries of employees who die in active service.

Public Availability of Financial Statements – The Maynard Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Maynard Retirement Board, 195 Main Street, Maynard, Massachusetts 01754.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements of the System have been prepared on the accrual basis of accounting. The accounting records of the System are maintained on a calendar-year basis in accordance with the standards and procedures established by Public Employee Retirement Administration Commission ("PERAC") and Massachusetts law.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America, or GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand deposits and short-term holdings with remaining maturities of three months or less.

Maynard Contributory Retirement System

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Investments – The carrying amounts of the System's investments approximates fair value. When actively quoted observable prices are not available, the System 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 System 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 System'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 are shown at net asset value ("NAV"). These are investments in non-governmental entities for which a 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 fair value of the System's investments by type as of December 31, 2018:

	Fair	Fair Va	lue Measuremer	nts Using
	Value	Level 1	Level 2	Level 3
Investments by fair value level				
Equity securities	\$ 21,798,460	<u>\$ 21,798,460</u>	<u> </u>	\$ -
Total investments by fair value level	21,798,460	\$ 21,798,460	<u> </u>	<u>\$</u>
Investments measured at NAV				
PRIT funds	19,849,143			
Total investments measured at fair value	\$ 41,647,603			

The PRIT funds are 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.

Maynard Contributory Retirement System

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Fair Value of Financial Instruments – The carrying amounts of cash and cash equivalents, accounts receivable and other current assets, accounts payable and accrued expenses approximate their fair value due to the relatively short-term maturities.

Revenue Recognition – Contributions are recognized as additions in the period in which they become due pursuant to formal commitments, and statutory or contractual requirements. Contributions appropriated by the Town and MHA are on a fiscal-year basis. Investment purchases and sales are recorded on their trade dates. Interest and dividends are recorded when earned. Investment income is allocated to the funds on the basis of a rate determined annually by PERAC.

3. SYSTEM ADMINISTRATION

The System is administered by a five-person Board consisting of the Town Accountant, two members who are elected by the participants in or retired from the service of the System, one member appointed by the Town, and one member appointed by the other members of the Board.

At the time of this report, the Board was comprised as follows:

	Term Expires
Mr. Michael Guzzo	No Specified Date
Mr. Kevin Petersen	No Specified Date
Ms. Jean Ignachuck	April 1, 2020
Mr. Clifford Wilson	April 1, 2021
Mr. Christopher Connolly, Sr.	April 1, 2022
	Mr. Kevin Petersen Ms. Jean Ignachuck Mr. Clifford Wilson

The Board is required to meet at least once a month and keep a record of its proceedings. The Board annually submits a financial statement of condition for the System with the Commissioner of PERAC.

4. DEPOSITS AND INVESTMENTS

Massachusetts General Laws Chapter 32 and PERAC regulations require the 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.

Investment Policy – The investment of the System's funds is the responsibility of the Board. The Board manages its investments using a September 2018 investment policy. The September 2018 investment policy updated several investment allocation ratios from the previous investment policy statement, which was issued in March 2016. The investment objective is to pursue return and manage risk by adopting a broad-based approach to asset class diversification. The Board believes that applied prudently this plan will provide sufficient flexibility to adapt to changing global investment dynamics and maximize the System's ability to meet its long-term objectives. Furthermore, the investment policy establishes benchmarks by asset class to compare its actual performance against.

The System's investment policy outlines a target allocation for its investments. Boston Advisors, the System's external investment advisor, monitors target allocations and reports these metrics to the Board quarterly. The investment policy requires that asset classes that fall out of compliance with the target allocations must be cured within sixty days.

Maynard Contributory Retirement System

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The System's portfolio target weights at the broad asset class level were as follows:

	Target
Asset Class	Allocation
Equity securities	55.0%
Fixed income	30.0%
Non-traditional asset classes	7.5%
Real estate	7.5%

Custody of Investments – People's United Bank is the custodian of the System's investment portfolio. The System transitioned its investment custodian from State Street Bank and Trust to People's United Bank in 2018.

Investment Management – Boston Advisors provided investment advisory services to the System throughout all of 2018. The System may terminate this service agreement for various reasons including, but not limited to, certain breaches of contract.

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The 2018 money-weighted rate of return was approximately -2.39%.

Custodial Credit Risk: Deposits – Deposits are subject to the risk of bank failure. The System may be unable to recover the full amount of its deposits in any one bank institution in the event of a bank failure. The System's policy for custodial credit risk of deposits is to rely on Federal Deposit Insurance Corporation ("FDIC") insurance coverage for the first \$250,000 of deposits held at each financial institution. At December 31, 2018, all the System's bank deposits were fully insured.

Custodial Credit Risk: Investments – Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The System's policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the System. At December 31, 2018, the System was not exposed to custodial credit risk on its investments.

Interest Rate Risk: Deposits – This is the risk that fair value losses may arise due to increasing interest rates; such risk is reduced by the fact that the System maintains such funds in highly liquid bank accounts; thereby, allowing for timely re-allocation of such holdings should the need arise.

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 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.

Foreign Currency Risk: Deposits and Investments – A risk that fluctuations in exchange rates will adversely affect the fair value of an investment or deposit. The System did not have any securities denominated in foreign currencies at December 31, 2018.

Maynard Contributory Retirement System

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Securities Credit Risk: Investments – In the case of investments, there is the risk that in the event 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 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 System may rely on credit ratings assigned by Moody's Investor Services, Inc. and Standard and Poor's Financial Services, LLC. The System does voluntarily self-impose certain investment restrictions; however, those can be changed at the Board's discretion. The System maintains a significant portion (approximately 99%) of its monetary assets as investment holdings.

None of the 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 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.

Concentration of Credit Risk: Investments – The System's investment policy prohibits its ownership of any domestic or international equity holding whose value exceeds 5% of the System's total investment balance. The following investments in pooled funds held by the System at December 31, 2018 represent approximately 47.6% of the 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%

5. FUNDING POLICY

Employee Contributions – Employees whose creditable service began prior to January 1, 1975, contribute 5% of their base salary or wage; those whose service date is subsequent to January 1, 1975, and prior to January 1, 1984, contribute 7%; those whose service date is subsequent to January 1, 1984, and prior to July 1, 1996, contribute 8%, and those whose service date is subsequent to July 1, 1996, contribute 9%. In addition, employees hired on or after January 1, 1979 contribute an additional 2% on earnings in excess of \$30,000.

Employer Contributions (Funding) – Under the provisions of Chapter 32 of Massachusetts General Law, participating employers are assessed their share of the total retirement cost based on independent actuarial study. Significant actuarial assumptions are used to compute the actuarially determined employer contribution requirement.

Employer contributions of \$2,328,100 were made in 2018 in accordance with the funding policy. Employer contributions as a percentage of covered payroll was approximately 24% in 2018.

Maynard Contributory Retirement System

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Cost of Living Adjustment (COLA) – Through 1998, the Massachusetts Legislature was able to grant cost-of-living increases to benefits being paid to retirees. These increases were expressed as a percentage of the retiree's allowance subject to a maximum dollar increase. All COLA's granted from 1982 through June 30, 1998, are reimbursed to the System by the Commonwealth of Massachusetts since the Commonwealth was financially responsible for COLA adjustments during this time frame; any COLA's granted thereafter by the Board are required to be funded by the System directly. A COLA may be approved in excess of the Consumer Price Index, or CPI, but for 2018 is not to exceed 3% annually on the first \$15,000 of a retirement allowance. The System has historically approved a COLA annually, usually at the maximum 3% rate.

The Commonwealth is expected to continue funding the cost-of-living amounts granted to retirees prior to 1998 for the duration of their selected retirement option.

6. ACTUARIAL VALUATION

The System is statutorily required to adopt the funding schedule that will fully amortize the unfunded actuarial accrued liability by June 30, 2040. As of the latest actuarial valuation, the System has selected a funding schedule that fully amortizes the unfunded actuarial accrued liability by June 30, 2036.

The components of the System's net pension liability at December 31, 2018 (dollar amounts are in thousands) were as follows:

Total pension liability	\$ 61,759
Plan fiduciary net position	 42,167
Net pension liability	\$ 19,592
Plan fiduciary net position as a percentage of	
total pension liability	68.3%

The total pension liability was determined by an actuarial valuation as of January 1, 2017 and updated to roll forward to December 31, 2018. The significant actuarial assumptions used in the January 1, 2017 report were as follows:

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

Maynard Contributory Retirement System

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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).

For disabled retirees, the mortality rate is assumed to be in accordance with RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2012 (gender distinct).

It is assumed that 55% of pre-retirement deaths are jobrelated for group 1 and 2 members and 90% are jobrelated for group 4 members. For members retired under an Accidental Disability, 40% of deaths are assumed to be from the same cause as the disability.

Discount Rate – The discount rate used to measure the total pension liability in the January 1, 2017 actuarial valuation report was 7.0%. 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 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.

Expected Real Rate of Return – The long-term expected rate of return on System investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The System's investment policy sets long-term expected rates of returns using a representative benchmark index for each major asset class in the System's target asset allocation (see the discussion of the System's investment policy in Note 4). The following table summarizes these target benchmarks:

Asset	Class	Corresponding	g Benchmark

Equity securities:

Domestic S&P 500/Russell 2000 blend

International FTSE All World Ex-US Index/MSCI Emerging Markets Index blend

Fixed income Barclays Capital Aggregate Bond Index Non-traditional asset classes HFRI Fund of Funds Composite Index

Real estate FTSE NAREIT US Index

Maynard Contributory Retirement System

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Sensitivity Analysis – The following illustrates the net position liability at December 31, 2018 calculated using the current discount rate of 7.0%, as well as the projection of that the net position liability would be if it were calculated using a discount rate that in 1.0% lower (6.0%) and 1.0% higher (8.0%) that the current rate (dollar amounts in thousands):

			į	Current			
	1% Decrease Discount 1% Inc					Increase	
	((6.0%)		(7.0%)	(8.0%)		
Net pension liability	\$	26,569	\$	19.592	\$	13,689	

7. NET POSITION ASSETS HELD IN TRUST

Net position assets held in trust, as of December 31, 2018, were comprised of the following legally required five funds:

Description	Amount	Purpose
Annuity Savings Fund	\$ 9,171,918	Active members' contribution balance
Annuity Reserve Fund	2,787,083	Retired members' contribution balance
Pension Fund	470,015	Amounts appropriated to fund future retirement
Military Service Fund	31,185	Members' contributions while on military leave
Pension Reserve Fund	29,706,874	Remaining net assets
Total	<u>\$ 42,167,075</u>	

8. COMMITMENTS AND CONTINGENCIES

The System is subject to a variety of claims that arise from time to time in the ordinary course of business. Although management of the System currently believes that resolving claims against the System, individually or in aggregate, will not have a material adverse impact on the System's financial position or its results of operations, these matters are subject to inherent uncertainties and management's views of these matters may change in the future.

* * * * * *

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Maynard, Massachusetts)

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

(dollar amounts are in thousands)

	_	2018	_	2017		2016		2015	_	2014
Total pension liability: Service cost Interest Differences between expected and actual experience Changes in assumptions Benefit payments, including refunds	\$	1,770 4,147 - (3,263)	\$	1,694 3,842 (994) 2,900 (3,068)	\$	1,507 3,925 - (3,067)	\$	1,442 3,618 (694) 2,600 (2,802)	\$	1,209 3,561 - (2,627)
Net change in total pension liability	_	2,654	_	4,374	_	2,365	_	4,164	_	2,143
Total pension liability - beginning of year		59,105	_	54,731		52,366	_	48,202	_	46,059
Total pension liability - end of year (a)	\$	61,759	\$	59,105	\$	54,731	\$	52,366	\$	48,202
Plan fiduciary net position: Contributions - employer Contributions - employee Contributions - nonemployer contributing entities Net investment income Benefit payments, including refunds Administrative expenses Other Net change in plan fiduciary net position	\$	2,328 1,025 327 (3,349) (3,880) (123) 4 (3,668)	\$	2,196 997 327 6,496 (3,448) (119) 1	\$	2,072 916 273 2,823 (3,313) (117) 6	\$	1,955 904 199 (47) (3,117) (82)	\$	1,847 886 240 3,211 (2,822) (90) 3,272
Plan fiduciary net position - beginning of year	_	45,835	_	39,385	_	36,725	_	36,913	_	
Plan fiduciary net position - end of year (b)	\$	42,167	\$	45,835	\$	39,385	\$	36,725	\$	33,641 36,913
Net pension liability - end of year (a) - (b)	<u>\$</u>	19,592	<u>\$</u>	13,270	\$	15,346	\$	15,641	\$	11,289
Plan fiduciary net position as a percentage of the total pension liability		68.28%		77.55%		71.96%		70.13%		76.58%
Covered payroll	\$	9,838	\$	9,838	\$	9,285	\$	9,285	\$	7,932
Net pension liability as a percentage of covered payroll		199.15%		134.89%		165.28%		168.45%		142.32%

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.

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Maynard, Massachusetts)

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

SCHEDULE OF CONTRIBUTIONS

(dollar amounts are in thousands)

		2018	_	2017	_	2016	_	2015	2014
Actuarially-determined contribution Contributions in relation to the actuarially-	\$	2,328	\$	2,196	\$	2,072	\$	1,955	\$ 1,865
determined contribution		2,328		2,196		2,072		1,955	 1,865
Contribution deficiency (excess)	<u>\$</u>		\$		\$		\$		\$
Covered payroll	\$	9,838	\$	9,838	\$	9,285	\$	9,285	\$ 7,932
Contribution as a percentage of covered payroll		23.66%		22.32%		22.32%		21.06%	23.51%

SCHEDULE OF INVESTMENT RETURNS

	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of					
investment expense	-2.39%	16.70%	7.93%	-0.62%	10.63%

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.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

A. CHANGES OF BENEFIT TERMS

The System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the System's benefit terms in 2018.

B. SIGNIFICANT ACTUARIAL ASSUMPTIONS AND METHODS

The significant actuarial assumptions used in the January 1, 2017 report were as follows:

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).

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).



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Maynard Retirement Board Maynard Contributory Retirement System Maynard, Massachusetts

We have audited, 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, the financial statements of the Maynard Contributory Retirement System (the "System"), a component unit of the Town of Maynard, Massachusetts, as of and for the year ended December 31, 2018, and the related notes to the financial statements which collectively comprise the System's basic financial statements and have issued our report thereon dated April 29, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Maynard Contributory Retirement System

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Roselli, Clark & Associates Certified Public Accountants

Roselli, Clark & Associates

Woburn, Massachusetts April 29, 2019



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To the Maynard Retirement Board Maynard Contributory Retirement System Maynard, Massachusetts

We have audited the accompanying schedule of employer allocations of the Maynard Contributory Retirement System (the "System"), a component unit of the Town of Maynard, Massachusetts, as of and for the year ended December 31, 2018. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources and total pension expense (specified column totals) included in the accompanying schedule of pension amounts by employer of the System as of and for the year ended December 31, 2018, and the related notes thereto.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these schedules 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 the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer 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 Audit 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 schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer, 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 schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer 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 schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer.

Maynard Contributory Retirement System

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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 schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities of the System as of and for the year ended December 31, 2018, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the System as of and for the year ended December 31, 2018, and our report thereon, dated April 29, 2019 expressed an unmodified opinion on those financial statements.

Roselli, Clark & Associates Certified Public Accountants

Roselli Clark & Associates

Woburn, Massachusetts

April 29, 2019

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Maynard, Massachusetts)

SCHEDULE OF EMPLOYER ALLOCATIONS YEAR ENDED DECEMBER 31, 2018

Dollar amounts are in thousands

	A	ctual	Employer
	Em	ployer	Allocation
Employer	Cont	ributions	Percentage
Town of Maynard Maynard Housing Authority	\$	2,255 73	96.9% 3.1%
Total	\$	2,328	100.0%

See notes to schedule of employer allocation and schedule of pension amounts by employer.

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Maynard, Massachusetts)

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER YEAR ENDED DECEMBER 31, 2018

Dollar amounts are in thousands

Donar amounts are in mousants	Town of Maynard		Maynard Housing Authority		Total
Net pension liability	\$ 18,985	\$	607	\$	19,592
Deferred outflows of resources:					
Differences between actual and expected experience	\$ -	\$	-	\$	-
Net difference between projected and actual investment earnings					
on pension plan investments	3,402		109		3,511
Changes of assumptions	2,641		84		2,725
Changes in proportion and differences between employer					
contributions and proportionate share of contributions	 		23		23
Total deferred outflows of resources	\$ 6,043	\$	216	<u>\$</u>	6,259
Deferred inflows of resources:					
Differences between actual and expected experience	\$ 848	\$	27	\$	875
Changes of assumptions	-		-		-
Changes in proportion and differences between employer					
contributions and proportionate share of contributions	 23				23
Total deferred inflows of resources	\$ 871	\$	27	\$	898
Pension expense (income):					
Proportionate share of plan pension expense	\$ 3,638	\$	116	\$	3,754
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and					
proportionate share of contributions	 (10)		10		_
Total employer pension expense (income)	\$ 3,628	\$	126	\$	3,754

See notes to schedule of employer allocation and schedule of pension amounts by employer.

NOTES TO PENSION PLAN SCHEDULES AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

A. INTRODUCTION

GASB Statement No, 68, Accounting and Financial Reporting for Pensions, establishes financial reporting requirements for governments that provide employees with pension benefits. GASB 68 requires employers to recognize a net pension liability or net pension asset as employees earn pension benefits. Employers participating in the Maynard Contributory Retirement System (the "Retirement System") will recognize their proportionate share of the collective pension amounts for all benefits provided by the Retirement System.

B. METHOD OF PROPORTIONATE SHARE ALLOCATION

The basis for the proportionate share allocation by employer as found in the Schedule of Employer Allocations and Schedule of Pension Amounts by Employer is consistent with the manner in which employer contributions to the Retirement System are determined. The net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense is based upon actual historical employer contributions to the Retirement System from the census data submitted to the Retirement System for pay periods ending December 31, 2018.

C. EXPECTED FUTURE AMORTIZATION OF DEFERRED BALANCES

The following table (dollar amounts are in thousands) summarizes the expected amortization of the deferred outflows of resources and inflows of resources into pension expense.

Measurement Period Ended December 31:	Town of Maynard		Но	ynard using hority	Total			
2019	\$	1,688	\$	64	\$	1,752		
2020		1,042		47		1,089		
2021		843		27		870		
2022		1,568		50		1,618		
2023		31		1		32		
	\$	5,172	\$	189	\$	5,361		

Report on Examination of Basic Financial Statements And Additional Information Year Ended December 31, 2017

Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Year Ended December 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Maynard Retirement Board Maynard Contributory Retirement System Maynard, Massachusetts

We have audited the accompanying financial statements of the Maynard Contributory Retirement System (the "System"), a component unit of the Town of Maynard, Massachusetts, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the System'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.

Maynard Contributory Retirement System

Page 1 of 26

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the System as of December 31, 2017, and the changes in financial position for the year then ended in accordance 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 of changes in net pension liability and related ratios, contributions and investment returns as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a 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 or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated May 23, 2018 on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 System's internal control over financial reporting and compliance.

Roselli, Clark & Associates Certified Public Accountants

Roselli Clark & Associates

Woburn, Massachusetts

May 23, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Maynard Contributory Retirement System's (the "System") financial performance provides an overview of the System's financial activities for the calendar year ended December 31, 2017. You should read it in conjunction with the basic financial statements, footnotes and required supplementary information that follows this discussion.

Financial Highlights

The System's funding objective is to meet long-term benefit obligations through contributions and investment income. As of January 1, 2017 (the latest available actuarial information date), the funded ratio was approximately 71% based on the actuarial value of assets at that date. The System's actuary projects the System to be fully funded by 2035.

The System's money-weighted return on investments, net of investment management fees, was approximately 16.7% in 2017. This strong return was the primary reason the System's fiduciary net position increased nearly \$6.5 million in 2017.

Overview of the Financial Statements

This discussion and analysis is intended as an introduction to the System's basic financial statements. The basic financial statements are comprised of a Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Notes to Financial Statements and Required Supplementary Information.

Statement of Fiduciary Net Position – presents information on the System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position restricted for pensions. This statement reflects the System's investments at fair value, as well as cash, receivables and other assets and liabilities. Over time, the increase or decrease in net position serves as a useful indicator of the System's financial health and condition.

Statement of Changes in Net Position – presents information showing how the System's fiduciary net position changed during the year. It reflects contributions by members and participating employers along with deductions for retirement benefits, refunds, withdrawals and administrative expenses. Investment income, including realized and unrealized gains on pooled investments, during the year is also presented.

Notes to the Financial Statements – provide additional information that is essential for the reader to gain a full understanding of the data provided in the financial statements.

Required Supplementary Information – includes this management's discussion and analysis and various unaudited schedules.

Financial Analysis

Fiduciary Net Position

The System's total assets as of December 31, 2017 approximated \$45.9 million and principally consisted of investments in equities and pooled investment funds. Total assets increased over \$6.4 million, or approximately 16.3%, from December 31, 2016. System liabilities primarily consist of open trades and various trade payables at both December 31, 2017 and 2016.

	December 31,				
		2017	2016		
Assets					
Cash and cash equivalents	\$	505,029	\$	598,137	
Investments		45,314,351		38,706,684	
Receivables and other current assets		115,609		193,892	
Total Assets		45,934,989		39,498,713	
Total Liabilities		100,166		113,413	
Fiduciary Net Position	\$	45,834,823	\$	39,385,300	

Change in Fiduciary Net Position

The System enjoyed strong investment performance in 2017, which was consistent with the large gains seen in both U.S. and international markets. In 2017, the System reported a money-weighted return on investments, net of investment management fees, of approximately 16.7% versus a 7.9% return in 2016.

	Year Ending December 31,				
		2017		2016	
Additions					
Contributions	\$	3,520,377	\$	3,266,861	
Investment earnings, net of management fees		6,496,410		2,823,228	
Total Additions		10,016,787		6,090,089	
Deductions					
Benefits and refunds to Plan members		3,447,986		3,312,998	
Administrative and other expenses		119,278		117,235	
Total Deductions		3,567,264		3,430,233	
Change in Fiduciary Net Position	\$	6,449,523	\$	2,659,856	

Additions – The amount needed to finance pension benefits is accumulated through the collection of employers and employees' contributions, reimbursements from the Commonwealth of Massachusetts for pre-1998 Cost of Living Adjustments and through earnings on investments. In 2017, contributions from the employers and employees increased by approximately \$254,000. This increase was due primarily to (an increase in employer contributions (i.e., appropriations) of over

Maynard Contributory Retirement System

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\$124,000. Employer contributions represent nearly \$2.2 million, or approximately 62% of total contributions. Employer contributions are determined by actuarial valuation.

Deductions – The primary deductions for the System include the payment of pension benefits to participants and beneficiaries, refunds of contributions and the costs of administering the system. Benefit payments in 2017 were nearly \$135,000, or 4.1%, greater than 2016 benefit payments. This increase was due primarily to an increase in member transfers from the System into other Massachusetts retirement systems as well as an increase in the number of beneficiaries paid year-over-year. Administrative expenses were fairly consistent year-over-year.

Overall Financial Position

The System's 2017 investment return exceeded the discount rate used in its actuarial studies (recently revised down to 7.0% from 7.5%), which bodes well for the System entering into 2018. The System's decision to reduce the discount rate it uses in its actuarial study affected its projected funding schedule. The System's actuary now estimates that the System will be fully funded in 2036 versus 2032 in the System's most recent previous valuation report. The System's ability to meet (or best) this projection is highly dependent on its ability to consistently generate investment returns of 7.0% or greater.

The current investment mix employed by the System causes its investment return to lag the returns posted by the major U.S. stock market indices during "bull" equity cycles. However, the System has adopted this investment strategy as a means to better hedge against potential significant downside market risk present within the U.S. stock market. Management believes that the volatility in the stock markets may continue for the foreseeable future. Accordingly, management intends to actively monitor the System's investment positions to best maximize returns while mitigating risk within prudent fiduciary expectations.

Contacting the System's Financial Management Personnel

Our discussion and analysis is designed to provide the Maynard Retirement Board, our membership, taxpayers, investors and creditors with a general overview of the System's financial results and to demonstrate the System's accountability for the funding it receives. If you have any questions about this report or need additional financial information, contact the Retirement Office at 195 Main Street, Maynard, Massachusetts 01754.

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Maynard, Massachusetts)

STATEMENT OF FIDUCIARY NET POSITION DECEMBER 31, 2017

ASSETS		
Cash and cash equivalents	\$	505,029
Investments, at fair value:		
Equity securities		23,442,751
Pooled funds		21,871,600
Total investments	_	45,314,351
Accounts receivable and other current assets:		
Member deductions		83,628
Due from the Commonwealth		7,973
Investment sales		24,008
Total accounts receivable and other current assets		115,609
Total assets		45,934,989
DEFERRED OUTFLOWS OF RESOURCES		
LIABILITIES		
Accounts payable and accrued expenses		41,877
Investment purchases		58,289
Total liabilities		100,166
DEFERRED INFLOWS OF RESOURCES		
NET POSITION RESTRICTED FOR PENSIONS	\$	45,834,823

See accompanying notes to financial statements.

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Maynard, Massachusetts)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION YEAR ENDED DECEMBER 31, 2017

ADDITIONS	
Contributions:	
Employer contributions - appropriations	\$ 2,196,300
Employee contributions - member deductions and payments	996,976
Transfers from other systems	213,495
Reimbursements from other systems	96,241
Receipts from the Commonwealth of Massachusetts	16,409
Total contributions	3,519,421
Investment income:	
Interest and dividends	1,028,420
Net realized and unrealized gains	5,712,796
Less management fees	(244,806)
Net investment income	6,496,410
Other income	956
Total additions	10,016,787
DEDUCTIONS	
Benefits, transfers of, and refunds to members:	
Benefit payments to plan members and beneficiaries	2,925,240
Member refunds	65,557
Transfers to other systems	267,752
Reimbursements to other systems	189,437
Administrative expenses:	•
System operations payroll and stipends	57,924
Other administrative expenses	61,354
Total deductions	3,567,264
NET INCREASE IN NET POSITION	6,449,523
NET POSITION RESTRICTED FOR PENSIONS	
Beginning of year	39,385,300
End of year	\$ 45,834,823

Maynard Contributory Retirement System

See accompanying notes to financial statements.

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NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

1. DESCRIPTION OF THE PLAN

General – The Maynard Contributory Retirement System (the "System") is a multi-employer defined benefit pension plan established and administered by the Maynard Retirement Board under the provisions of Chapter 32 of the Massachusetts General Laws, as amended, to provide pension benefits for participants. The System is a component unit of the Town of Maynard (the "Town"). The Town and the Maynard Housing Authority ("MHA") contribute to the System.

Employees of the Town (with the exception of teachers and certain administrative personnel employed by the School Department who participate in a separate plan) and the MHA are covered by the System. Participation in the System is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

At December 31, 2017, membership in the System consisted of:

Retirees and beneficiaries currently receiving benefits	113
Active plan members	218
Inactive plan members	<u>66</u>
Total	<u>397</u>

Plan Benefits – Massachusetts contributory retirement system benefits are uniform from system to system. For employees with service dates beginning before April 2, 2012, the System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest consecutive three-year average annual rate of regular compensation. For those employees who began their service after April 2, 2012, the System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest consecutive five-year average annual rate of regular compensation. Benefit payments are based upon a participant's age, length of creditable service, level of compensation and group classification.

The retirement allowance consists of two parts – an annuity and a pension. Participants' accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and annuity is the pension.

Participants who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total contributions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive interest, which has accrued on those contributions. A vested employee who has not reached their eligible retirement age and elects to leave his accumulation on deposit may apply for benefits upon reaching that age.

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

Maynard Contributory Retirement System

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Retirement Requirements – In order to receive retirement benefits, participants must meet one of the following two categories:

Normal Retirement – Generally, normal retirement occurs between ages 65 and 67. However, most participants with a hire date before April 2, 2012, may retire after twenty years of service or at any time after attaining age 55. For most participants hired on or after April 2, 2012, they must attain the age of 60 before they can retire. 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 or 60, as applicable. Participants become vested after ten years of service. Benefits commencing before age 65 are generally provided at a reduced rate. However, members working in certain occupations may retire with full benefits earlier than age 65.

Participants who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 may request a refund of their accumulated total contributions. In addition, depending on the number of years of creditable service, these employees may be entitled to interest that has accured on their contributions. A vested employee under the age of 55 who elects to leave his accumulated contributions on deposit may apply for pension benefits upon reaching his eligible retirement age.

<u>Disability Retirements</u> – The System provides for both an ordinary disability retirement, where a participant is permanently incapacitated from a cause unrelated to employment, and an accidental disability retirement, where the disability is the result of an injury or illness received or aggravated in the performance of one's duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status. In addition, certain provisions are in place relative to death benefits for beneficiaries of employees who die in active service.

Public Availability of Financial Statements – The Maynard Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Maynard Retirement Board, 195 Main Street, Maynard, Massachusetts 01754.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements of the System have been prepared on the accrual basis of accounting. The accounting records of the System are maintained on a calendar-year basis in accordance with the standards and procedures established by Public Employee Retirement Administration Commission ("PERAC") and Massachusetts law.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America, or GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand deposits and short-term holdings with remaining maturities of three months or less.

Maynard Contributory Retirement System

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Investments – The carrying amounts of the System's investments approximate their fair value. When actively quoted observable prices are not available, the System 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 System 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 System'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 are shown at net asset value ("NAV"). These are investments in non-governmental entities for which a 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 fair value of the System's investments by type as of December 31, 2017:

	Fair			Fair Value Measurements U					Using	3
	Value			Level 1		Level 2		Level 3		
Investments by fair value level										
Equity securities	\$	23,442,751	\$	23,442,751	\$	-	\$	-		
Private equity investments		14,469	_					14,469		
Total investments by fair value level		23,457,220	\$	23,442,751	\$		\$	14,469		
Investments measured at the net asset value (NAV)		21.057.121								
PRIT funds		21,857,131								
Total investments measured at fair value	\$	45,314,351								

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

The State Treasurer investment pool is administered by the Commonwealth of Massachusetts' Pension Reserve Investment Management Board, or PRIM. The System holds five separate pooled PRIT funds, each of which consists of a diverse set of investments that includes private equity, distressed debt, derivatives, venture and real estate investments. The determination of the fair value of these investments is very subjective and the period-end values are reported to the System as NAV. Investments in the PRIT funds are generally more liquid than investments in private equity and real

Maynard Contributory Retirement System

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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.

Fair Value of Financial Instruments – The carrying amounts of cash and cash equivalents, accounts receivable and other current assets, accounts payable and accrued expenses approximate their fair value due to the relatively short-term maturities.

Revenue Recognition — Contributions are recognized as additions in the period in which they become due pursuant to formal commitments, and statutory or contractual requirements. Contributions appropriated by the Town and MHA are on a fiscal-year basis. Investment purchases and sales are recorded on their trade dates. Interest and dividends are recorded when earned. Investment income is allocated to the funds on the basis of a rate determined annually by PERAC.

3. SYSTEM ADMINISTRATION

The System is administered by a five-person Board consisting of the Town Accountant, two members who are elected by the participants in or retired from the service of the System, one member appointed by the Town, and one member appointed by the other members of the Board.

At the time of this report, the Board was comprised as follows:

 	1	Term Expires
Ex-Officio Member:	Mr. Michael Guzzo	No Specified Date
Appointed Member:	Mr. Kevin Petersen	No Specified Date
Elected Member:	Ms. Jean Ignachuck	April 1, 2020
Elected Member:	Mr. Clifford Wilson	April 1, 2021
Board Appointed Member:	Mr. Christopher Connolly, Sr.	April 1, 2019

The Board is required to meet at least once a month and keep a record of its proceedings. The Board annually submits a financial statement of condition for the System with the Commissioner of PERAC.

4. DEPOSITS AND INVESTMENTS

Massachusetts General Laws Chapter 32 and PERAC regulations require the 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.

Investment Policy – The investment of the System's funds is the responsibility of the Board. The Board manages its investments using a March 2016 investment policy. The investment objective is to pursue return and manage risk by adopting a broad-based approach to asset class diversification. The Board believes that applied prudently this plan will provide sufficient flexibility to adapt to changing global investment dynamics and maximize the System's ability to meet its long-term objectives. Furthermore, the investment policy establishes benchmarks by asset class to compare its actual performance against.

Maynard Contributory Retirement System

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The System's investment policy outlines a target allocation for its investments. Boston Advisors, the System's external investment advisor, monitors target allocations and reports these metrics to the Board quarterly. The investment policy requires that asset classes that fall out of compliance with the target allocations must be cured within sixty days.

The System's portfolio target weights at the broad asset class level were as follows:

	Target
Asset Class	Allocation
Equity securities	55.0%
Fixed income	30.0%
Non-traditional asset classes	7.5%
Real estate	7.5%

Custody of Investments – State Street Bank and Trust is the custodian of the System's investment portfolio. State Street Bank and Trust held the investment securities of the system at December 31, 2017 and provided investment transaction and reporting services for all of 2017.

Investment Management – Boston Advisors provided investment advisory services to the System throughout all of 2017. The System may terminate this service agreement for various reasons including, but not limited to, certain breaches of contract.

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The 2017 money-weighted rate of return was approximately 16.7%.

Custodial Credit Risk: Deposits – Deposits are subject to the risk of bank failure. The System may be unable to recover the full amount of its deposits in any one bank institution in the event of a bank failure. The System's policy for custodial credit risk of deposits is to rely on Federal Deposit Insurance Corporation ("FDIC") insurance coverage for the first \$250,000 of deposits held at each financial institution. At December 31, 2017, all of the System's bank deposits were fully insured by the FDIC and therefore was not exposed to custodial credit risk.

Custodial Credit Risk: Investments – Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The System's policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the System. At December 31, 2017, the System was not exposed to custodial credit risk on its investments.

Interest Rate Risk: Deposits – This is the risk that fair value losses may arise due to increasing interest rates; such risk is reduced by the fact that the System maintains such funds in highly liquid bank accounts; thereby, allowing for timely re-allocation of such holdings should the need arise.

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 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.

Maynard Contributory Retirement System

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Foreign Currency Risk: Deposits and Investments – A risk that fluctuations in exchange rates will adversely affect the fair value of an investment or deposit. The System did not have any securities denominated in foreign currencies at December 31, 2017.

Securities Credit Risk: Investments – In the case of investments, there is the risk that in the event 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 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 System may rely on credit ratings assigned by Moody's Investor Services, Inc. and Standard and Poor's Financial Services, LLC. The System does voluntarily self-impose certain investment restrictions; however, those can be changed at the Board's discretion. The System maintains a significant portion (approximately 98%) of its monetary assets as investment holdings.

None of the System's investments were subject to credit quality ratings from leading credit rating agencies. At December 31, 2017, uninsured short-term investment funds with fair values of \$502,333 were reported as cash equivalents. These funds represent temporary holdings of excess cash resources. The 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.

Concentration of Credit Risk: Investments – The System's investment policy prohibits its ownership of any domestic or international equity holding whose value exceeds 5% of the System's total investment balance. The following investments in pooled funds held by the System at December 31, 2017 represent approximately 48.3% of the System's total investments:

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

5. FUNDING POLICY

Employee Contributions – Employees whose creditable service began prior to January 1, 1975, contribute 5% of their base salary or wage; those whose service date is subsequent to January 1, 1975, and prior to January 1, 1984, contribute 7%; those whose service date is subsequent to January 1, 1984, and prior to July 1, 1996, contribute 8%, and those whose service date is subsequent to July 1, 1996, contribute 9%. In addition, employees hired on or after January 1, 1979 contribute an additional 2% on earnings in excess of \$30,000.

Employer Contributions (Funding) – Under the provisions of Chapter 32 of Massachusetts General Law, participating employers are assessed their share of the total retirement cost based on independent actuarial study. Significant actuarial assumptions are used to compute the actuarially determined employer contribution requirement.

Maynard Contributory Retirement System

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Employer contributions of \$2,196,300 were made in 2017 in accordance with the funding policy. Employer contributions as a percentage of covered payroll was approximately 22% in 2017.

Cost of Living Adjustment (COLA) – Through 1998, the Massachusetts Legislature was able to grant cost-of-living increases to benefits being paid to retirees. These increases were expressed as a percentage of the retiree's allowance subject to a maximum dollar increase. All COLA's granted from 1982 through June 30, 1998, are reimbursed to the System by the Commonwealth of Massachusetts since the Commonwealth was financially responsible for COLA adjustments during this time frame; any COLA's granted thereafter by the Board are required to be funded by the System directly. A COLA may be approved in excess of the Consumer Price Index, or CPI, but for 2017 is not to exceed 3% annually on the first \$15,000 of a retirement allowance. The System has historically approved a COLA annually, usually at the maximum 3% rate.

The Commonwealth is expected to continue funding the cost-of-living amounts granted to retirees prior to 1998 for the duration of their selected retirement option.

6. ACTUARIAL VALUATION

The System is statutorily required to adopt the funding schedule that will fully amortize the unfunded actuarial accrued liability by June 30, 2040. As of the latest actuarial valuation, the System has selected a funding schedule that fully amortizes the unfunded actuarial accrued liability by June 30, 2036.

The components of the System's net pension liability at December 31, 2017 (dollar amounts are in thousands) were as follows:

Total pension liability	\$ 59,105
Plan fiduciary net position	 45,835
Net pension liability	\$ 13,270
Plan fiduciary net position as a percentage of	
total pension liability	77.5%

The total pension liability was determined by an actuarial valuation as of January 1, 2017 and updated to roll forward to December 31, 2017. The significant actuarial assumptions used in the January 1, 2017 report were as follows:

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

Maynard Contributory Retirement System

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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).

For disabled retirees, the mortality rate is assumed to be in accordance with RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2012 (gender distinct).

It is assumed that 55% of pre-retirement deaths are jobrelated for group 1 and 2 members and 90% are jobrelated for group 4 members. For members retired under an Accidental Disability, 40% of deaths are assumed to be from the same cause as the disability.

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 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.

Expected Real Rate of Return – The long-term expected rate of return on System investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The System's investment policy sets long-term expected rates of returns using a representative benchmark index for each major asset class in the System's target asset allocation (see the discussion of the System's investment policy in Note 4). The following table summarizes these target benchmarks:

Asset Class	Corresponding Benchman	٦k

Equity securities:

Domestic S&P 500/Russell 2000 blend

International FTSE All World Ex-US Index/MSCI Emerging Markets Index blend

Fixed income Barclays Capital Aggregate Bond Index Non-traditional asset classes HFRI Fund of Funds Composite Index

Real estate FTSE NAREIT US Index

Maynard Contributory Retirement System

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Sensitivity Analysis – The following illustrates the net position liability at December 31, 2017 calculated using the current discount rate of 7.0%, as well as the projection of that the net position liability would be if it were calculated using a discount rate that in 1.0% lower (6.0%) and 1.0% higher (8.0%) that the current rate (dollar amounts in thousands):

			(Current			
	1%	1% Decrease		Discount		1% Increase	
		(6.0%)	((7.0%)	(8.0%)		
Net pension liability	\$	19,947	\$	13,270	\$	7,621	

7. NET POSITION ASSETS HELD IN TRUST

Net position assets held in trust, as of December 31, 2017, were comprised of the following legally required five funds:

Description	Amount	Purpose
Annuity Savings Fund	\$ 8,869,751	Active members' contribution balance
Annuity Reserve Fund	2,898,404	Retired members' contribution balance
Pension Fund	619,314	Amounts appropriated to fund future retirement
Military Service Fund	31,154	Members' contributions while on military leave
Pension Reserve Fund	33,416,200	Remaining net assets
Total	<u>\$ 45,834,823</u>	

8. COMMITMENTS AND CONTINGENCIES

The System is subject to a variety of claims that arise from time to time in the ordinary course of business. Although management of the System currently believes that resolving claims against the System, individually or in aggregate, will not have a material adverse impact on the System's financial position or its results of operations, these matters are subject to inherent uncertainties and management's views of these matters may change in the future.

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Maynard, Massachusetts)

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED DECEMBER 31, 2017

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

(Dollar Amounts in Thousands)

		2017	_	2016		2015	_	2014
Total pension liability: Service cost Interest Differences between expected and actual experience Changes of assumptions	\$	1,694 3,842 (994) 2,900	\$	1,507 3,925	\$	1,442 3,618 (694) 2,600	\$	1,209 3,561
Benefit payments, including refunds of member contributions		(3,068)	_	(3,067)	_	(2,802)	_	(2,627)
Net change in total pension liability		4,374		2,365		4,164		2,143
Total pension liability - beginning of year Total pension liability - end of year (a)	\$	54,731 59,105	\$	52,366 54,731	\$	48,202 52,366	\$	46,059 48,202
Plan fiduciary net position: Contributions - employer Contributions - members Contributions - nonemployer contributing entities Net investment income Benefit payments, including refunds of member contributions Administrative expenses Other Net change in plan fiduciary net position	\$	2,196 997 327 6,496 (3,448) (119) 1 6,450	\$	2,072 916 273 2,823 (3,313) (117) 6 2,660	\$	1,955 904 199 (47) (3,117) (82)	\$	1,847 886 240 3,211 (2,822) (90)
Plan fiduciary net position - beginning of year Plan fiduciary net position - end of year (b)	<u>-</u>	39,385 45,835	_	36,725	_	36,913	<u>-</u>	33,641
Net pension liability - end of year (a) - (b)	\$	13,270	\$	39,385 15,346	\$	36,725 15,641	\$	36,913 11,289
Plan fiduciary net position as a percentage of the total pension liability		77.5%		72.0%		70.1%		71.5%
Covered-employee payroll	\$	9,838	\$	9,285	\$	9,285	\$	7,932
Net pension liability as a percentage of covered- employee payroll		134.9%		165.3%		168.5%		142.3%

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

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED DECEMBER 31, 2017

SCHEDULE OF CONTRIBUTIONS

(Dollar Amounts in Thousands)

	 2017	2016	 2015	_	2014
Actuarially-determined contribution Contributions in relation to the actuarially-	\$ 2,196	\$ 2,072	\$ 1,955	\$	1,865
determined contribution	 2,196	2,072	 1,955		1,865
Contribution deficiency (excess)	\$ 	\$ 	\$ 	\$	
Covered-employee payroll	\$ 9,838	\$ 9,285	\$ 9,285	\$	7,932
Contribution as a percentage of covered- employee payroll	22.3%	22.3%	21.1%		23.5%

SCHEDULE OF INVESTMENT RETURNS

	2017	2016	2015	2014
Annual money-weighted rate of return, net of				
investment expense	16.70%	7.93%	-0.62%	10.63%

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

See independent auditors' report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

A. CHANGES OF BENEFIT TERMS

The System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the System's benefit terms in 2017.

B. SIGNIFICANT ACTUARIAL ASSUMPTIONS AND METHODS

The significant actuarial assumptions used in the January 1, 2017 report were as follows:

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).

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).



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Maynard Retirement Board Maynard Contributory Retirement System Maynard, Massachusetts

We have audited, 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, the financial statements of the Maynard Contributory Retirement System (the "System"), a component unit of the Town of Maynard, Massachusetts, as of and for the year ended December 31, 2017, and the related notes to the financial statements which collectively comprise the System's basic financial statements and have issued our report thereon dated May 23, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Maynard Contributory Retirement System

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Roselli, Clark & Associates Certified Public Accountants Woburn, Massachusetts

Roselli Clark & Associates

May 23, 2018



ROSELLI, CLARK & ASSOCIATES CERTIFIED PUBLIC ACCOUNTANTS

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To the Maynard Retirement Board Maynard Contributory Retirement System Maynard, Massachusetts

We have audited the accompanying schedule of employer allocations of the Maynard Contributory Retirement System (the "System"), a component unit of the Town of Maynard, Massachusetts, as of and for the year ended December 31, 2017. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources and total pension expense (specified column totals) included in the accompanying schedule of pension amounts by employer of the System as of and for the year ended December 31, 2017, and the related notes thereto.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these schedules 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 the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer 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 Audit 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 schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer, 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 schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer 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 schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer.

Maynard Contributory Retirement System

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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 schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities of the System as of and for the year ended December 31, 2017, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the System as of and for the year ended December 31, 2017, and our report thereon, dated May 23, 2018, expressed an unmodified opinion on those financial statements.

Roselli, Clark & Associates Certified Public Accountants Woburn, Massachusetts

Roselli Clark & Associates

May 23, 2018

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Maynard, Massachusetts)

SCHEDULE OF EMPLOYER ALLOCATIONS FOR THE YEAR ENDED DECEMBER 31, 2017

(Dollar Amounts in Thousands)

Employer		Actual nployer tributions	Employer Allocation Percentage	
Town of Maynard Maynard Housing Authority	\$	2,128 69	96.9% 3.1%	
Total	\$	2,197	100.0%	

See notes to schedule of employer allocations and schedule of pension amounts by employer.

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Maynard, Massachusetts)

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER FOR THE YEAR ENDED DECEMBER 31, 2017

(Dollar Amounts in Thousands)	т	'own of		aynard ousing		
	_	faynard		thority		Total
				-		
Net pension liability	\$	12,859	\$	411	\$	13,270
Deferred outflows of resources:						
Differences between expected and actual experience Difference between projected and actual investment	\$	-	\$	-	\$	-
earnings on pension plan investments		_		_		_
Changes of assumptions Changes in proportion and differences between employer		3,543		113		3,656
contributions and proportionate share of contributions		_		33		33
Total deferred outflows of resources	\$	3,543	\$	146	\$	3,689
Deferred inflows of resources:						
Differences between expected and actual experience	\$	1,124	\$	36	\$	1,160
Difference between projected and actual investment earnings on pension plan investments		1,968		63		2,031
Changes of assumptions		-,		-		-,
Changes in proportion and differences between employer contributions and proportionate share of contributions		22				22
Total deferred inflows of resources	\$	33 3,125	\$	99	\$	33
	Ψ	5,125	Ψ		Ψ	5,227
Pension expense (income):						
Proportionate share of plan pension expense Net amortization of deferred amounts from changes in proportion and differences between employer contributions	\$	2,213	\$	71	\$	2,284
and proportionate share of contributions		(10)		10		
Total employer pension expense	\$	2,203	\$	81	\$	2,284

See notes to schedule of employer allocations and schedule of pension amounts by employer.

NOTES TO PENSION PLAN SCHEDULES AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

A. INTRODUCTION

GASB Statement No, 68, Accounting and Financial Reporting for Pensions, establishes financial reporting requirements for governments that provide employees with pension benefits. GASB 68 requires employers to recognize a net pension liability or net pension asset as employees earn pension benefits. Employers participating in the Maynard Contributory Retirement System (the "Retirement System") will recognize their proportionate share of the collective pension amounts for all benefits provided by the Retirement System.

B. METHOD OF PROPORTIONATE SHARE ALLOCATION

The basis for the proportionate share allocation by employer as found in the Schedule of Employer Allocations and Schedule of Pension Amounts by Employer is consistent with the manner in which employer contributions to the Retirement System are determined. The net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense is based upon actual historical employer contributions to the Retirement System from the census data submitted to the Retirement System for pay periods ending December 31, 2017.

C. EXPECTED FUTURE AMORTIZATION OF DEFERRED BALANCES

The following table (dollar amounts are in thousands) summarizes the expected amortization of the deferred outflows of resources and inflows of resources into pension expense.

Measurement Period Ended December 31:	 own of aynard	Но	ynard using hority	 Γotal
2018	\$ 307	\$	21	\$ 328
2019	422		24	446
2020	(223)		6	(217)
2021	(421)		(14)	(435)
2022	303		9	312
2023	 30		1	31
	\$ 418	\$	47	\$ 465

Report on Examination of Basic Financial Statements And Additional Information Year Ended December 31, 2016

Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Year Ended December 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Maynard Retirement Board Maynard Contributory Retirement System Maynard, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the Maynard Contributory Retirement System (the "System"), a component unit of the Town of Maynard, Massachusetts, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the System'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.

Maynard Contributory Retirement System

Page 1 of 26

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the System as of December 31, 2016, and the changes in financial position for the year then ended in accordance 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 of changes in net pension liability and related ratios, contributions and investment returns as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a 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 or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated June 17, 2017 on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 System's internal control over financial reporting and compliance.

Roselli, Clark & Associates

Roselli Clark & Associates

Certified Public Accountants Woburn, Massachusetts

June 17, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Maynard Contributory Retirement System's (the "System") financial performance provides an overview of the System's financial activities for the calendar year ended December 31, 2016. You should read it in conjunction with the basic financial statements, footnotes and required supplementary information that follows this discussion.

Financial Highlights

The System's funding objective is to meet long-term benefit obligations through contributions and investment income. As of January 1, 2015 (the latest available actuarial information date), the funded ratio was approximately 69% based on the actuarial value of assets at that date.

The System's money-weighted return on investments, net of investment management fees, was approximately 7.9% in 2016, which is in stark contrast to the loss of approximately 0.6% in 2015. This improvement in investment performance was key to the nearly \$2.7 million increase in fiduciary net position in 2016.

Overview of the Financial Statements

This discussion and analysis is intended as an introduction to the System's basic financial statements. The basic financial statements are comprised of a Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Notes to Financial Statements and Required Supplementary Information.

Statement of Fiduciary Net Position – presents information on the System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position restricted for pensions. This statement reflects the System's investments at fair value, as well as cash, receivables and other assets and liabilities. Over time, the increase or decrease in net position serves as a useful indicator of the System's financial health and condition.

Statement of Changes in Net Position – presents information showing how the System's fiduciary net position changed during the year. It reflects contributions by members and participating employers along with deductions for retirement benefits, refunds, withdrawals and administrative expenses. Investment income, including realized and unrealized gains on pooled investments, during the year is also presented.

Notes to the Financial Statements – provide additional information that is essential for the reader to gain a full understanding of the data provided in the financial statements.

Required Supplementary Information – includes this management's discussion and analysis and various unaudited schedules.

Financial Analysis

Fiduciary Net Position

The System's total assets as of December 31, 2016 approximate \$39.4 million and principally consisted of investments in equities and pooled investment funds. Total assets increased over \$2.5 million, or approximately 6.8%, from December 31, 2015. System liabilities primarily consist of open trades and various trade payables at both December 31, 2016 and 2015.

	December 31,				
	_	2016		2015	
Assets					
Cash and cash equivalents	\$	598,137	\$	540,149	
Investments		38,706,684		36,137,775	
Receivables and other current assets		193,892		303,025	
Total Assets		39,498,713		36,980,949	
Total Liabilities		113,413		255,505	
Fiduciary Net Position	<u>\$</u>	39,385,300	<u>\$</u>	36,725,444	

Change in Fiduciary Net Position

The improvement in the U.S. stock market in 2016 was the primary contributor to the significant improvement in investment earnings year-over-year. In 2016, the System reported a money-weighted return on investments, net of investment management fees, of approximately 7.9% versus a loss in 2015.

	Year Ending December 31,					
		2015				
Additions						
Contributions	\$	3,266,861	\$	3,058,054		
Investment earnings, net of management fees		2,823,228		(46,558)		
Total Additions		6,090,089		3,011,496		
Deductions						
Benefits and refunds to Plan members		3,312,998		3,116,266		
Administrative and other expenses		117,235		82,468		
Total Deductions		3,430,233		3,198,734		
Change in Fiduciary Net Position	<u>\$</u>	2,659,856	<u>\$</u>	(187,238)		

Additions – The amount needed to finance pension benefits is accumulated through the collection of employers and employees' contributions, reimbursements from the Commonwealth of Massachusetts for pre-1998 Cost of Living Adjustments and through earnings on investments. In 2016, contributions from the employers and employees increased by approximately \$209,000. This increase was due primarily to (an increase in employer contributions (i.e., appropriations) of over

Maynard Contributory Retirement System

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\$117,000. Employer contributions represent nearly \$2.1 million, or approximately 64% of total contributions. Employer contributions are determined by actuarial valuation.

Deductions – The primary deductions for the System include the payment of pension benefits to participants and beneficiaries, refunds of contributions and the costs of administering the system. Benefit payments in 2016 were nearly \$197,000, or 6.3%, greater than 2015 benefit payments. This increase was due primarily to an increase in member transfers from the System into other Massachusetts retirement systems as well as an increase in the number of beneficiaries paid year-over-year. Administrative expenses were fairly consistent year-over-year.

Overall Financial Position

The System's 2016 investment return exceeded the discount rate used in its actuarial studies (recently revised down to 7.5%), which bodes well for the System coming into 2017. The ability of the System meeting its goal of becoming fully funded on or before June 30, 2032 is highly dependent on the System consistently meeting or exceeding this discount rate.

The current investment mix employed by the System causes its investment return to lag the returns posted by the major U.S. stock market indices; however, the System has adopted this investment strategy as a means to better hedge against potential significant downside market risk present within the U.S. stock market. Management believes that the volatility in the stock markets may continue for the foreseeable future. Accordingly, management intends to actively monitor the System's investment positions to best maximize returns while mitigating risk within prudent fiduciary expectations.

Contacting the System's Financial Management Personnel

Our discussion and analysis is designed to provide the Maynard Retirement Board, our membership, taxpayers, investors and creditors with a general overview of the System's financial results and to demonstrate the System's accountability for the funding it receives. If you have any questions about this report or need additional financial information, contact the Retirement Office at 195 Main Street, Maynard, Massachusetts 01754.

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Maynard, Massachusetts)

STATEMENT OF FIDUCIARY NET POSITION DECEMBER 31, 2016

ASSETS		
Cash and cash equivalents	\$	598,137
Investments, at fair value:		
Equity securities		20,754,177
Pooled funds	_	17,952,507
Total investments	_	38,706,684
Accounts receivable and other current assets:		
Member deductions		121,131
Investment sales	_	72,761
Total accounts receivable and other current assets		193,892
Total assets	_	39,498,713
DEFERRED OUTFLOWS OF RESOURCES	_	
LIABILITIES		
Accounts payable and accrued expenses		83,960
Investment purchases	_	29,453
Total liabilities	_	113,413
DEFERRED INFLOWS OF RESOURCES		
NET POSITION RESTRICTED FOR PENSIONS	\$	39,385,300

See accompanying notes to financial statements.

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Maynard, Massachusetts)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION YEAR ENDED DECEMBER 31, 2016

ADDITIONS	
Contributions:	
Employer contributions - appropriations	\$ 2,072,000
Employee contributions - member deductions and payments	915,938
Transfers from other systems	158,467
Reimbursements from other systems	96,167
Receipts from the Commonwealth of Massachusetts	18,359
Total contributions	3,260,931
Investment income:	
Interest and dividends	935,884
Net realized and unrealized gains	2,108,167
Less management fees	(220,823)
Net investment income	2,823,228
Other income	5,930
Total additions	6,090,089
DEDUCTIONS	
Benefits, transfers of, and refunds to members:	
Benefit payments to plan members and beneficiaries	2,926,788
Member refunds	90,166
Transfers to other systems	131,594
Reimbursements to other systems	164,450
Administrative expenses:	
System operations payroll and stipends	53,878
Other administrative expenses	63,357
Total deductions	3,430,233
NET INCREASE IN NET POSITION	2,659,856
NET POSITION RESTRICTED FOR PENSIONS	
Beginning of year	36,725,444
End of year	\$ 39,385,300
See accompanying notes to financial statements.	

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Maynard Contributory Retirement System

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

1. DESCRIPTION OF THE PLAN

General – The Maynard Contributory Retirement System (the "System") is a multi-employer defined benefit pension plan established and administered by the Maynard Retirement Board under the provisions of Chapter 32 of the Massachusetts General Laws, as amended, to provide pension benefits for participants. The System is a component unit of the Town of Maynard (the "Town"). The Town and the Maynard Housing Authority ("MHA") contribute to the System.

Employees of the Town (with the exception of teachers and certain administrative personnel employed by the School Department who participate in a separate plan) and the MHA are covered by the System. Participation in the System is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

At December 31, 2016, membership in the System consisted of:

Retirees and beneficiaries currently receiving benefits	108
Active plan members	220
Inactive plan members	57
Total	<u>385</u>

Plan Benefits – Massachusetts contributory retirement system benefits are uniform from system to system. For employees with service dates beginning before April 2, 2012, the System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest consecutive three-year average annual rate of regular compensation. For those employees who began their service after April 2, 2012, the System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest consecutive five-year average annual rate of regular compensation. Benefit payments are based upon a participant's age, length of creditable service, level of compensation and group classification.

The retirement allowance consists of two parts – an annuity and a pension. Participants' accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and annuity is the pension.

Participants who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total contributions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive interest, which has accrued on those contributions. A vested employee who has not reached their eligible retirement age and elects to leave his accumulation on deposit may apply for benefits upon reaching that age.

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

Maynard Contributory Retirement System

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Retirement Requirements – In order to receive retirement benefits, participants must meet one of the following two categories:

Normal Retirement – Generally, normal retirement occurs between ages 65 and 67. However, most participants with a hire date before April 2, 2012, may retire after twenty years of service or at any time after attaining age 55. For most participants hired on or after April 2, 2012, they must attain the age of 60 before they can retire. 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 or 60, as applicable. Participants become vested after ten years of service. Benefits commencing before age 65 are generally provided at a reduced rate. However, members working in certain occupations may retire with full benefits earlier than age 65.

Participants who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 may request a refund of their accumulated total contributions. In addition, depending on the number of years of creditable service, these employees may be entitled to interest that has accrued on their contributions. A vested employee under the age of 55 who elects to leave his accumulated contributions on deposit may apply for pension benefits upon reaching his eligible retirement age.

<u>Disability Retirements</u> – The System provides for both an ordinary disability retirement, where a participant is permanently incapacitated from a cause unrelated to employment, and an accidental disability retirement, where the disability is the result of an injury or illness received or aggravated in the performance of one's duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status. In addition, certain provisions are in place relative to death benefits for beneficiaries of employees who die in active service.

Public Availability of Financial Statements – The Maynard Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Maynard Retirement Board, 195 Main Street, Maynard, Massachusetts 01754.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements of the System have been prepared on the accrual basis of accounting. The accounting records of the System are maintained on a calendar-year basis in accordance with the standards and procedures established by Public Employee Retirement Administration Commission ("PERAC") and Massachusetts law.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America, or GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand deposits and short-term holdings with remaining maturities of three months or less.

Maynard Contributory Retirement System

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Investments – The carrying amounts of the System's investments approximate their fair value. When actively quoted observable prices are not available, the System 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 System 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 System'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 are shown at net asset value ("NAV"). These are investments in non-governmental entities for which a 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 fair value of the System's investments by type as of December 31, 2016:

	Fair	_	Fair Value Measurements Using				
	Value	ıe Level 1		Level 2		Level 3	
Investments by fair value level							
Equity securities	\$ 20,754,177	\$	20,754,177	\$	- 5	\$	-
Private equity investments	 26,539	_			<u>-</u> .		26,539
Total investments by fair value level	 20,780,716	\$	20,754,177	\$		\$	26,539
Investments measured at the net asset value (NAV) State treasurer investment pool	17,925,968						
Total investments measured at fair value	\$ 38,706,684						

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

The State Treasurer investment pool is administered by the Commonwealth of Massachusetts' Pension Reserve Investment Management Board, or PRIM. The System holds five separate pooled PRIT funds, each of which consists of a diverse set of investments that includes private equity, distressed debt, derivatives, venture and real estate investments. The determination of the fair value of these investments is 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

Maynard Contributory Retirement System

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PRIT funds are received regularly and deposited into an accompanying short-term cash investment account.

Fair Value of Financial Instruments – The carrying amounts of cash and cash equivalents, accounts receivable and other current assets, accounts payable and accrued expenses approximate their fair value due to the relatively short-term maturities.

Revenue Recognition — Contributions are recognized as additions in the period in which they become due pursuant to formal commitments, and statutory or contractual requirements. Contributions appropriated by the Town and MHA are on a fiscal-year basis. Investment purchases and sales are recorded on their trade dates. Interest and dividends are recorded when earned. Investment income is allocated to the funds on the basis of a rate determined annually by PERAC.

3. SYSTEM ADMINISTRATION

The System is administered by a five-person Board consisting of the Town Accountant, two members who are elected by the participants in or retired from the service of the System, one member appointed by the Town, and one member appointed by the other members of the Board.

At the time of this report, the Board was comprised as follows:

		1 erm Expires
Ex-Officio Member:	Mr. Michael Guzzo	No Specified Date
Appointed Member:	Mr. Kevin Petersen	No Specified Date
Elected Member:	Ms. Jean Ignachuck	April 1, 2020
Elected Member:	Mr. Clifford Wilson	April 1, 2018
Board Appointed Member:	Mr. Christopher Connolly, Sr.	April 1, 2019

The Board is required to meet at least once a month and keep a record of its proceedings. The Board annually submits a financial statement of condition for the System with the Commissioner of PERAC.

4. DEPOSITS AND INVESTMENTS

Massachusetts General Laws Chapter 32 and PERAC regulations require the 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.

Investment Policy – The investment of the System's funds is the responsibility of the Board. The Board updated its investment policy in March 2016. The updated investment policy revised a number of target allocations, particularly between non-traditional assets classes and real estate investments. The investment objective is to purse return and manage risk by adopting a broad-based approach to asset class diversification. The Board believes that applied prudently this plan will provide sufficient flexibility to adapt to changing global investment dynamics and maximize the System's ability to meet its long-term objectives. Furthermore, the investment policy establishes benchmarks by asset class to compare its actual performance against.

Maynard Contributory Retirement System

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The System's investment policy outlines a target allocation for its investments. Boston Advisors, the System's external investment advisor, monitors target allocations and reports these metrics to the Board quarterly. The investment policy requires that asset classes that fall out of compliance with the target allocations must be cured within sixty days.

The System's portfolio target weights at the broad asset class level were as follows:

	Target
Asset Class	Allocation
Equity securities	55.0%
Fixed income	30.0%
Non-traditional asset classes	7.5%
Real estate	7.5%

Custody of Investments – State Street Bank and Trust is the custodian of the System's investment portfolio. State Street Bank and Trust held the investment securities of the system at December 31, 2016 and provided investment transaction and reporting services for all of 2016.

Investment Management – Boston Advisors provided investment advisory services to the System throughout all of 2016. The System may terminate this service agreement for various reasons including, but not limited to, certain breaches of contract.

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The 2016 money-weighted rate of return was approximately 7.93%.

Custodial Credit Risk: Deposits – Deposits are subject to the risk of bank failure. The System may be unable to recover the full amount of its deposits in any one bank institution in the event of a bank failure. The System's policy for custodial credit risk of deposits is to rely on Federal Deposit Insurance Corporation ("FDIC") insurance coverage for the first \$250,000 of deposits held at each financial institution. At December 31, 2016, all of the System's bank deposits were fully insured by the FDIC and therefore was not exposed to custodial credit risk.

Custodial Credit Risk: Investments – Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The System's policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the System. At December 31, 2016, the System was not exposed to custodial credit risk on its investments.

Interest Rate Risk: Deposits – This is the risk that fair value losses may arise due to increasing interest rates; such risk is reduced by the fact that the System maintains such funds in highly liquid bank accounts; thereby, allowing for timely re-allocation of such holdings should the need arise.

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 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.

Maynard Contributory Retirement System

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Foreign Currency Risk: Deposits and Investments – A risk that fluctuations in exchange rates will adversely affect the fair value of an investment or deposit. The System did not have any securities denominated in foreign currencies at December 31, 2016.

Securities Credit Risk: Investments – In the case of investments, there is the risk that in the event 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 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 System may rely on credit ratings assigned by Moody's Investor Services, Inc. and Standard and Poor's Financial Services, LLC. The System does voluntarily self-impose certain investment restrictions; however, those can be changed at the Board's discretion. The System maintains a significant portion (approximately 98%) of its monetary assets as investment holdings.

None of the System's investments were subject to credit quality ratings from leading credit rating agencies. At December 31, 2016, uninsured short-term investment funds with fair values of \$597,037 were reported as cash equivalents. These funds represent temporary holdings of excess cash resources. The 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.

Concentration of Credit Risk: Investments – The System's investment policy prohibits its ownership of any domestic or international equity holding whose value exceeds 5% of the System's total investment balance. The following investments in pooled funds held by the System at December 31, 2016 represent approximately 46.3% of the System's total investments:

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

5. FUNDING POLICY

Employee Contributions – Employees whose creditable service began prior to January 1, 1975, contribute 5% of their base salary or wage; those whose service date is subsequent to January 1, 1975, and prior to January 1, 1984, contribute 7%; those whose service date is subsequent to January 1, 1984, and prior to July 1, 1996, contribute 8%, and those whose service date is subsequent to July 1, 1996, contribute 9%. In addition, employees hired on or after January 1, 1979 contribute an additional 2% on earnings in excess of \$30,000.

Employer Contributions (Funding) – Under the provisions of Chapter 32 of Massachusetts General Law, participating employers are assessed their share of the total retirement cost based on independent actuarial study. Significant actuarial assumptions are used to compute the actuarially determined employer contribution requirement.

Maynard Contributory Retirement System

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Employer contributions of \$2,072,000 were made in 2016 in accordance with the funding policy. Employer contributions as a percentage of covered payroll was approximately 22% in 2016.

Cost of Living Adjustment (COLA) – Through 1998, the Massachusetts Legislature was able to grant cost-of-living increases to benefits being paid to retirees. These increases were expressed as a percentage of the retiree's allowance subject to a maximum dollar increase. All COLA's granted from 1982 through June 30, 1998, are reimbursed to the System by the Commonwealth of Massachusetts since the Commonwealth was financially responsible for COLA adjustments during this time frame; any COLA's granted thereafter by the Board are required to be funded by the System directly. A COLA may be approved in excess of the Consumer Price Index, or CPI, but for 2016 is not to exceed 3% annually on the first \$15,000 of a retirement allowance. The System has historically approved a COLA annually, usually at the maximum 3% rate.

The Commonwealth is expected to continue funding the cost-of-living amounts granted to retirees prior to 1998 for the duration of their selected retirement option.

6. ACTUARIAL VALUATION

The System is statutorily required to adopt the funding schedule that will fully amortize the unfunded actuarial accrued liability by June 30, 2040. As of the latest actuarial valuation, the System has selected a funding schedule that fully amortizes the unfunded actuarial accrued liability by June 30, 2032.

The components of the System's net pension liability at December 31, 2016 (dollar amounts are in thousands) were as follows:

Total pension liability	\$ 54,731
Plan fiduciary net position	 39,385
Net pension liability	\$ 15,346
Plan fiduciary net position as a percentage of	
total pension liability	72.0%

The total pension liability was determined by an actuarial valuation as of January 1, 2015 and updated to roll forward to December 31, 2016. The significant actuarial assumptions used in the January 1, 2015 report were as follows:

Actuarial cost method: Entry age normal

Amortization method: Top appropriation increasing 6.0%

Remaining amortization period: 16 years

Asset valuation method: Actuarial value, 5-year smoothing

Investment rate of return: 7.5% per annum

Projected salary increases: Service based table with ultimate ranges of 4.25%,

4.50% and 4.75% for groups 1, 2 and 4, respectively

Cost of living adjustments: 3% on the first \$15,000 of benefits

Maynard Contributory Retirement System

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Mortality rates: Pre-retirement rates reflect the RP-2000 Employees

table projected generationally with Scale BB and a base year of 2009 (gender distinct). Post-retirement rates reflect the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009

(gender distinct).

Disabled life mortality: For disabled retirees, the mortality rate is assumed to be

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

as the disability.

Discount Rate – The discount rate used to measure the total pension liability in the January 1, 2015 actuarial valuation report was 7.5%, which was a reduction from the previous discount rate of 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions, the 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.

Expected Real Rate of Return – The long-term expected rate of return on System investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The System's investment policy sets long-term expected rates of returns using a representative benchmark index for each major asset class in the System's target asset allocation (see the discussion of the System's investment policy in Note 4). The following table summarizes these target benchmarks:

Asset Class	Corresponding Benchmark			
Equity securities:				
Domestic	S&P 500/Russell 2000 blend			
International	MSCI EAFE Index			
Fixed income:				
Domestic	Barclays Capital US Aggregate			
International	Barclays Capital Global Ex-US Index			
Non-traditional asset classes	Appropriate peer group or agreed-upon index			
Real estate	Wilshire REOC or other appropriate benchmark			

Maynard Contributory Retirement System

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Sensitivity Analysis – The following illustrates the net position liability at December 31, 2016 calculated using the current discount rate of 7.5%, as well as the projection of that the net position liability would be if it were calculated using a discount rate that in 1.0% lower (6.5%) and 1.0% higher (8.5%) that the current rate (dollar amounts in thousands):

		Current						
		1% Decrease Discount (6.5%) (7.5%)		1% Increase				
				(7.5%)		(8.5%)		
Net pension liability	\$	21,640	\$	15,346	\$	10,026		

7. NET POSITION ASSETS HELD IN TRUST

Net position assets held in trust, as of December 31, 2016, were comprised of the following legally required five funds:

Description	Amount	Purpose
Annuity Savings Fund	\$ 8,382,856	Active members' contribution balance
Annuity Reserve Fund	2,949,762	Retired members' contribution balance
Military Service Fund	30,168	Members' contributions while on military leave
Pension Fund	532,347	Amounts appropriated to fund future retirement
Pension Reserve Fund	27,490,167	Remaining net assets
Total	\$39,385,300	

8. COMMITMENTS AND CONTINGENCIES

The System is subject to a variety of claims that arise from time to time in the ordinary course of business. Although management of the System currently believes that resolving claims against the System, individually or in aggregate, will not have a material adverse impact on the System's financial position or its results of operations, these matters are subject to inherent uncertainties and management's views of these matters may change in the future.

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Maynard, Massachusetts)

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED DECEMBER 31, 2016

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

(Dollar Amounts in Thousands)

	2016		2015			2014
Total pension liability:						
Service cost	\$	1,507	\$	1,442	\$	1,209
Interest		3,925		3,618		3,561
Differences between expected and actual experience		-		(694)		-
Changes of assumptions		-		2,600		-
Benefit payments, including refunds of member contributions		(3,067)	_	(2,802)	_	(2,627)
Net change in total pension liability		2,365		4,164		2,143
Total pension liability - beginning of year		52,366		48,202		46,059
Total pension liability - end of year (a)	\$	54,731	\$	52,366	\$	48,202
Plan fiduciary net position:						
Contributions - employer	\$	2,072	\$	1,955	\$	1,847
Contributions - members		916		904		886
Contributions - nonemployer contributing entities		273		199		240
Net investment income		2,823		(47)		3,211
Benefit payments, including refunds of member contributions		(3,313)		(3,117)		(2,822)
Administrative expenses		(117)		(82)		(90)
Other		6	_	-	_	
Net change in plan fiduciary net position		2,660		(188)		3,272
Plan fiduciary net position - beginning of year		36,725		36,913		33,641
Plan fiduciary net position - end of year (b)	\$	39,385	\$	36,725	\$	36,913
Net pension liability - end of year (a) - (b)	\$	15,346	\$	15,641	\$	11,289
Plan fiduciary net position as a percentage of the total						
pension liability		72.0%		70.1%		71.5%
Covered-employee payroll	\$	9,285	\$	9,285	\$	7,932
Net pension liability as a percentage of covered-						
employee payroll		165.3%		168.5%		142.3%

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

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Maynard, Massachusetts)

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED DECEMBER 31, 2016

SCHEDULE OF CONTRIBUTIONS

(Dollar Amounts in Thousands)

	2016			2015	2014	
Actuarially-determined contribution Contributions in relation to the actuarially-	\$	2,072	\$	1,955	\$	1,865
determined contribution		2,072		1,955		1,865
Contribution deficiency (excess)	\$		\$		<u>\$</u>	
Covered-employee payroll	\$	9,285	\$	9,285	\$	7,932
Contribution as a percentage of covered- employee payroll		22.3%		21.1%		23.5%

SCHEDULE OF INVESTMENT RETURNS

	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	7.93%	-0.62%	10.63%

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

See independent auditors' report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

A. CHANGES OF BENEFIT TERMS

The System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the System's benefit terms in 2016.

B. SIGNIFICANT ACTUARIAL ASSUMPTIONS AND METHODS

The significant actuarial assumptions used in the January 1, 2015 report were as follows:

Actuarial cost method: Entry age normal

Amortization method: Top appropriation increasing 6.0%

Remaining amortization period: 16 years

Asset valuation method: Actuarial value, 5-year smoothing

Investment rate of return: 7.5% per annum

Projected salary increases: Service based table with ultimate ranges of 4.25%,

4.50% and 4.75% for groups 1, 2 and 4, respectively

Cost of living adjustments: 3% on the first \$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). It is assumed that 55% of pre-retirement deaths are job-related for group 1 and 2 members and 90% are job-related for group 4 members. For members retired under an Accidental Disability, 40% of deaths are assumed to be from the same cause

as the disability.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Maynard Retirement Board Maynard Contributory Retirement System Maynard, Massachusetts

We have audited, 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, the financial statements of the Maynard Contributory Retirement System (the "System"), a component unit of the Town of Maynard, Massachusetts, as of and for the year ended December 31, 2016, and the related notes to the financial statements which collectively comprise the System's basic financial statements and have issued our report thereon dated June 17, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Maynard Contributory Retirement System

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Roselli, Clark & Associates Certified Public Accountants Woburn, Massachusetts

Roselli, Clark & Associates

June 17, 2017



ROSELLI, CLARK & ASSOCIATES CERTIFIED PUBLIC ACCOUNTANTS

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To the Maynard Retirement Board Maynard Contributory Retirement System Maynard, Massachusetts

We have audited the accompanying schedule of employer allocations of the Maynard Contributory Retirement System (the "System"), a component unit of the Town of Maynard, Massachusetts, as of and for the year ended December 31, 2016. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources and total pension expense (specified column totals) included in the accompanying schedule of pension amounts by employer of the System as of and for the year ended December 31, 2016, and the related notes thereto.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these schedules 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 the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer 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 Audit 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 schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer, 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 schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer 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 schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer.

Maynard Contributory Retirement System

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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 schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities of the System as of and for the year ended December 31, 2016, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the System as of and for the year ended December 31, 2016, and our report thereon, dated June 17, 2017, expressed an unmodified opinion on those financial statements.

Roselli, Clark & Associates Certified Public Accountants Woburn, Massachusetts

Roselli Clark & Associates

June 17, 2017

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Maynard, Massachusetts)

SCHEDULE OF EMPLOYER ALLOCATIONS FOR THE YEAR ENDED DECEMBER 31, 2016

(Dollar Amounts in Thousands)

<u>Employer</u>	Em	Actual Employer Contributions			
Town of Maynard Maynard Housing Authority	\$	2,007 65	96.9% 3.1%		
Total	\$	2,072	100.0%		

See notes to schedule of employer allocations and schedule of pension amounts by employer.

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Maynard, Massachusetts)

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER FOR THE YEAR ENDED DECEMBER 31, 2016

(Dollar Amounts in Thousands)	Maynard Town of Housing					
	Maynard			uthority		Total
Net pension liability	\$	14,870	\$	476	\$	15,346
Deferred outflows of resources:						
Differences between expected and actual experience Difference between projected and actual investment	\$	-	\$	-	\$	-
earnings on pension plan investments		1,347		43		1,390
Changes of assumptions Changes in proportion and differences between employer		1,636		52		1,688
contributions and proportionate share of contributions		_		43		43
Total deferred outflows of resources	\$	2,983	\$	138	\$	3,121
Deferred inflows of resources:						
Differences between expected and actual experience	\$	436	\$	14	\$	450
Difference between projected and actual investment earnings on pension plan investments		_		_		_
Changes of assumptions		-		-		-
Changes in proportion and differences between employer contributions and proportionate share of contributions						
Total deferred inflows of resources		43	Φ.		Φ.	43
Total deterred limows of resources	\$	479	\$	14	\$	493
Pension expense (income):						
Proportionate share of plan pension expense Net amortization of deferred amounts from changes in proportion and differences between employer contributions	\$	2,535	\$	81	\$	2,616
and proportionate share of contributions		(10)		10		_
Total employer pension expense	\$	2,525	\$	91	\$	2,616

See notes to schedule of employer allocations and schedule of pension amounts by employer.

NOTES TO PENSION PLAN SCHEDULES AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

A. INTRODUCTION

GASB Statement No, 68, Accounting and Financial Reporting for Pensions, establishes financial reporting requirements for governments that provide employees with pension benefits. GASB 68 requires employers to recognize a net pension liability or net pension asset as employees earn pension benefits. Employers participating in the Maynard Contributory Retirement System (the "Retirement System") will recognize their proportionate share of the collective pension amounts for all benefits provided by the Retirement System.

B. METHOD OF PROPORTIONATE SHARE ALLOCATION

The basis for the proportionate share allocation by employer as found in the Schedule of Employer Allocations and Schedule of Pension Amounts by Employer is consistent with the manner in which employer contributions to the Retirement System are determined. The net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense is based upon actual historical employer contributions to the Retirement System from the census data submitted to the Retirement System for pay periods ending December 31, 2016.

C. EXPECTED FUTURE AMORTIZATION OF DEFERRED BALANCES

The following table summarizes the expected amortization of the deferred outflows of resources and inflows of resources into pension expense.

	 2017	2	2018	2019	2020	T otal
		$(D\epsilon$				
Town of Maynard						
Difference between expected and actual experience	\$ (118)	\$	(118) 5	§ (118)	\$ (82)	\$ (436)
Difference between projected and actual investment						
earnings on pension plan investments, net	417		417	529	(16)	1,347
Changes of assumptions	441		441	441	313	1,636
Net effect of change in proportion of beginning reported balances	(10)		(10)	(10)	(13)	(43)
Maynard Housing Authority						
Difference between expected and actual experience	(4)		(4)	(4)	(2)	(14)
Difference between projected and actual investment						
earnings on pension plan investments, net	13		13	16	1	43
Changes of assumptions	14		14	14	10	52
Net effect of change in proportion of beginning reported balances	10		10	10	13	43
<u>Total</u>						
Difference between expected and actual experience	(122)		(122)	(122)	(84)	(450)
Difference between projected and actual investment						
earnings on pension plan investments, net	430		430	545	(15)	1,390
Changes of assumptions	455		455	455	323	1,688
Net effect of change in proportion of beginning reported balances	-		-	-	-	-

Maynard Contributory Retirement System

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Report on Examination of Basic Financial Statements And Additional Information Year Ended December 31, 2015

Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Year Ended December 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Maynard Retirement Board Maynard Contributory Retirement System Maynard, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the Maynard Contributory Retirement System (the "System"), a component unit of the Town of Maynard, Massachusetts, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the System'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.

Maynard Contributory Retirement System Page 1 of 26

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the System as of December 31, 2015, and the changes in financial position for the year then ended in accordance 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 of changes in net pension liability and related ratios, contributions and investment returns as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a 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 September 1, 2016 on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 System's internal control over financial reporting and compliance.

Roselli, Clark & Associates

Roselli, Clark & Associates Certified Public Accountants Woburn, Massachusetts September 1, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Maynard Contributory Retirement System's (the "System") financial performance provides an overview of the System's financial activities for the calendar year ended December 31, 2015. You should read it in conjunction with the basic financial statements, footnotes and required supplementary information that follows this discussion.

Financial Highlights

The System's funding objective is to meet long-term benefit obligations through contributions and investment income. As of January 1, 2015 (the latest available actuarial information date), the funded ratio was approximately 69% based on the actuarial value of assets at that date. The System's investment returns over the past three years have far exceeded the discount rate used in its actuarial valuation studies.

After several consecutive years of solid growth in its net position, the System reported an approximate \$187,000 decrease in net position restricted for pensions to over \$36.7 million at December 31, 2015. This decrease was due primarily to the performance of the System's investment portfolio, which produced a negative return of 0.62% in 2015, net of investment management fees. While the System's performance was negative, it slightly exceeded the returns posted by the S&P 500 and the Dow Jones Industrial Average, each of which was negative in 2015.

Overview of the Financial Statements

This discussion and analysis is intended as an introduction to the System's basic financial statements. The basic financial statements are comprised of a Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Notes to Financial Statements and Required Supplementary Information.

Statement of Fiduciary Net Position – presents information on the System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position restricted for pensions. This statement reflects the System's investments at fair value, as well as cash, receivables and other assets and liabilities. Over time, the increase or decrease in net position serves as a useful indicator of the System's financial health and condition.

Statement of Changes in Net Position – presents information showing how the System's fiduciary net position changed during the year. It reflects contributions by members and participating employers along with deductions for retirement benefits, refunds, withdrawals and administrative expenses. Investment income, including realized and unrealized gains on pooled investments, during the year is also presented.

Notes to the Financial Statements – provide additional information that is essential for the reader to gain a full understanding of the data provided in the financial statements.

Required Supplementary Information – includes this management's discussion and analysis and various unaudited schedules.

Maynard Contributory Retirement System Page 3 of 26 Basic Annual Financial Statement

Financial Analysis

Fiduciary Net Position

The System's total assets as of December 31, 2015 exceeded \$36.98 million and principally consisted of investments in equities and pooled investment funds. Total assets decreased nearly \$234,000, or approximately 0.6%, from December 31, 2014. System liabilities primarily consist of open trades and various trade payables at both December 31, 2015 and 2014.

	December 31,			
	2015		2014	
Assets				
Cash and cash equivalents	\$	540,149	\$	480,991
Investments		36,137,775		36,536,053
Receivables and other current assets		303,025		197,866
Total Assets		36,980,949		37,214,910
Total Liabilities		255,505		302,228
Fiduciary Net Position	<u>s</u>	36,725,444	S	36,912,682

Change in Fiduciary Net Position

The approximate \$187,000 decrease in fiduciary net position in 2015 was primarily attributable to negative investment returns. Furthermore, benefits paid in 2015 exceeded contributions from employers and employees.

	Year Ending December 31,			
	2015			2014
Additions				
Contributions	\$	3,058,054	\$	2,972,858
Investment earnings, net of management fees		(46,558)		3,210,571
Total Additions		3,011,496		6,183,429
Deductions				
Benefits and refunds to Plan members		3,116,266		2,822,093
Administrative and other expenses		82,468		90,091
Total Deductions		3,198,734		2,912,184
Change in Fiduciary Net Position	\$	(187,238)	\$	3,271,245

Additions – The amount needed to finance pension benefits is accumulated through the collection of employers and employees' contributions, reimbursements from the Commonwealth of Massachusetts for pre-1998 Cost of Living Adjustments and through earnings on investments. In 2015, contributions from the employers and employees increased by over \$85,000. This increase was due primarily to (an increase in employer contributions (i.e., appropriations) of nearly \$111,000 and an increase in the number of active members year-over-year offset by a decrease in transfers from other

Maynard Contributory Retirement System Page 4 of 26

retirement systems. Employer contributions represent nearly \$2.0 million, or approximately 64% of total contributions. Employer contributions are determined by actuarial valuation.

The System's return on investment in 2015 was negative. The System's investment returns over the previous three years exceeded the internal benchmark of 7.75% (the former discount rate used in actuarial studies).

Deductions – The primary deductions for the System include the payment of pension benefits to participants and beneficiaries, refunds of contributions and the costs of administering the system. Benefit payments in 2015 were over \$294,000, or 10.4%, greater than 2014 benefit payments. This increase was due primarily to an increase in member transfers from the System into other Massachusetts retirement systems as well as an increase in the number of beneficiaries paid year-over-year. Administrative expenses were fairly consistent year-over-year.

Overall Financial Position

While the System reported a negative 2015 money-weighted rate of return that was significantly lower than the return used in its actuarial studies (currently at 7.5%), the System had been outperforming its actuarial estimates for the three previous years.

The current investment mix employed by the System causes its investment return to lag the returns posted by the major U.S. stock market indices; however, the System has adopted this investment strategy as a means to better hedge against potential significant downside market risk present within the U.S. stock market. Management believes that the volatility in the stock markets may continue for the foreseeable future. Accordingly, management intends to actively monitor the System's investment positions to best maximize returns while mitigating risk within prudent fiduciary expectations.

The System has adopted a funding schedule that contemplates it being fully funded on or before June 30, 2032.

Contacting the System's Financial Management Personnel

Our discussion and analysis is designed to provide the Maynard Retirement Board, our membership, taxpayers, investors and creditors with a general overview of the System's financial results and to demonstrate the System's accountability for the funding it receives. If you have any questions about this report or need additional financial information, contact the Retirement Office at 195 Main Street, Maynard, Massachusetts 01754.

Maynard Contributory Retirement System Page 5 of 26

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Maynard, Massachusetts)

STATEMENT OF FIDUCIARY NET POSITION DECEMBER 31, 2015

ASSETS		
Cash and cash equivalents	\$	540,149
Investments, at fair value:		ĺ
Equity securities		19,613,893
Pooled funds		16,523,882
Total investments	_	36,137,775
Accounts receivable and other current assets:		
Member deductions		112,745
Due from the Commonwealth		10,134
Investment sales		180,146
Total accounts receivable and other current assets	_	303,025
Total assets	_	36,980,949
DEFERRED OUTFLOWS OF RESOURCES		
LIABILITIES		
Accounts payable and accrued expenses		88,171
Investment purchases		167,334
Total liabilities		255,505
DEFERRED INFLOWS OF RESOURCES	_	
NET POSITION RESTRICTED FOR PENSIONS	\$	36,725,444

See accompanying notes to financial statements.

Maynard Contributory Retirement System Page 6 of 26

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Maynard, Massachusetts)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION YEAR ENDED DECEMBER 31, 2015

ADDITIONS	
Contributions:	
Employer contributions - appropriations	\$ 1,954,700
Employee contributions - member deductions and payments	903,944
Transfers from other systems	80,939
Reimbursements from other systems	97,992
Receipts from the Commonwealth of Massachusetts	20,479
Total contributions	3,058,054
Investment income:	
Interest and dividends	812,982
Net realized and unrealized gains	(653,727)
Less management fees	(205,813)
Net investment income	(46,558)
Total additions	3,011,496
DEDUCTIONS	
Benefits, transfers of, and refunds to members:	
Benefit payments to plan members and beneficiaries	2,682,612
Member refunds	75,058
Transfers to other systems	196,158
Reimbursements to other systems	162,438
Administrative expenses:	
System operations payroll and stipends	44,710
Other administrative expenses	37,758
Total deductions	3,198,734
NET DECREASE IN NET POSITION	(187,238)
NET POSITION RESTRICTED FOR PENSIONS	
Beginning of year	36,912,682
End of year	\$ 36,725,444

See accompanying notes to financial statements.

Maynard Contributory Retirement System Page 7 of 26

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

1. DESCRIPTION OF THE PLAN

General – The Maynard Contributory Retirement System (the "System") is a multi-employer defined benefit pension plan established and administered by the Maynard Retirement Board under the provisions of Chapter 32 of the Massachusetts General Laws, as amended, to provide pension benefits for participants. The System is a component unit of the Town of Maynard (the "Town"). The Town and the Maynard Housing Authority ("MHA") contribute to the System.

Employees of the Town (with the exception of teachers and certain administrative personnel employed by the School Department who participate in a separate plan) and the MHA are covered by the System. Participation in the System is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

At December 31, 2015, membership in the System consisted of:

Retirees and beneficiaries currently receiving benefits	108
Active plan members	204
Inactive plan members	_69
Total	<u>381</u>

Plan Benefits – Massachusetts contributory retirement system benefits are uniform from system to system. For employees with service dates beginning before April 2, 2012, the System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest consecutive three-year average annual rate of regular compensation. For those employees who began their service after April 2, 2012, the System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest consecutive five-year average annual rate of regular compensation. Benefit payments are based upon a participant's age, length of creditable service, level of compensation and group classification.

The retirement allowance consists of two parts – an annuity and a pension. Participants' accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and annuity is the pension.

Participants who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total contributions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive interest, which has accrued on those contributions. A vested employee who has not reached their eligible retirement age and elects to leave his accumulation on deposit may apply for benefits upon reaching that age.

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

Maynard Contributory Retirement System Page 8 of 26

Retirement Requirements – In order to receive retirement benefits, participants must meet one of the following two categories:

Normal Retirement – Generally, normal retirement occurs between ages 65 and 67. However, most participants with a hire date before April 2, 2012, may retire after twenty years of service or at any time after attaining age 55. For most participants hired on or after April 2, 2012, they must attain the age of 60 before they can retire. 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 or 60, as applicable. Participants become vested after ten years of service. Benefits commencing before age 65 are generally provided at a reduced rate. However, members working in certain occupations may retire with full benefits earlier than age 65.

Participants who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 may request a refund of their accumulated total contributions. In addition, depending on the number of years of creditable service, these employees may be entitled to interest that has accrued on their contributions. A vested employee under the age of 55 who elects to leave his accumulated contributions on deposit may apply for pension benefits upon reaching his eligible retirement age.

<u>Disability Retirements</u> – The System provides for both an ordinary disability retirement, where a participant is permanently incapacitated from a cause unrelated to employment, and an accidental disability retirement, where the disability is the result of an injury or illness received or aggravated in the performance of one's duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status. In addition, certain provisions are in place relative to death benefits for beneficiaries of employees who die in active service.

Public Availability of Financial Statements – The Maynard Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Maynard Retirement Board, 195 Main Street, Maynard, Massachusetts 01754.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements of the System have been prepared on the accrual basis of accounting. The accounting records of the System are maintained on a calendar-year basis in accordance with the standards and procedures established by Public Employee Retirement Administration Commission ("PERAC") and Massachusetts law.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America, or GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand deposits and short-term holdings with remaining maturities of three months or less.

Maynard Contributory Retirement System Page 9 of 26

Investments – The carrying amounts of the System's investments approximate their fair value. U.S. Government agency bonds, including those issued by the Government National Mortgage Association, or GNMA, and the Federal National Mortgage Association, or FNMA, are amortized in full in the year of purchase. This is done to comply with PERAC rules and regulations. Marketable securities held by the System at December 31, 2015 are carried at fair value.

The fair value of shares in managed investment pools ("Pooled Funds") is based on unit values reported by the funds. Private equity and venture capital fund investments are recorded at fair value as determined in good faith by the general partners of the private equity and venture capital firms after consideration of pertinent information, including current financial position and operative results, price-earnings multiples and available market prices of similar companies' securities, the nature of the securities, marketability, restrictions on disposition and other appropriation and do not necessarily represent amounts which might ultimately be realized, since such amounts depend on future circumstances and cannot reasonably be determined until individual securities are liquidated. Because of the inherent uncertainty of valuations used in many of the System's Pooled Funds, estimated values may differ significantly from the values that would have been used had a ready market for positions in privately held companies or the real estate existed at December 31, 2015. These differences could have a material adverse effect on the System's financial statements.

Fair Value of Financial Instruments – The carrying amounts of cash and cash equivalents, accounts receivable and other current assets, accounts payable and accrued expenses approximate their fair value due to the relatively short-term maturities.

Revenue Recognition – Contributions are recognized as additions in the period in which they become due pursuant to formal commitments, and statutory or contractual requirements. Contributions appropriated by the Town and MHA are on a fiscal-year basis. Investment purchases and sales are recorded on their trade dates. Interest and dividends are recorded when earned. Investment income is allocated to the funds on the basis of a rate determined annually by PERAC.

Derivatives – The System may invest in derivative products, mainly currency hedges, to minimize the currency risk on international investments. The System's investments are managed by independent, professional money managers whose investment performance is subject to periodic review. At December 31, 2015, the System maintained investments with the Massachusetts Public Retirement Investment Trust ("PRIT") (see Note 4) totaling approximately \$16.4 million, a portion of which may include derivative products at the discretion of the PRIT fund managers.

3. SYSTEM ADMINISTRATION

The System is administered by a five-person Board consisting of the Town Accountant, two members who are elected by the participants in or retired from the service of the System, one member appointed by the Town, and one member appointed by the other members of the Board.

At the time of this report, the Board was comprised as follows:

		<u>Term Expires</u>
Ex-Officio Member:	Mr. Michael Guzzo	No Specified Date
Appointed Member:	Mr. Kevin Petersen	No Specified Date
Elected Member:	Ms. Jean Ignachuck	April 1, 2017
Elected Member:	Mr. Clifford Wilson	April 1, 2018
Board Appointed Member:	Mr. Christopher Connolly, Sr.	April 1, 2019

Maynard Contributory Retirement System Page 10 of 26

The Board is required to meet at least once a month and keep a record of its proceedings. The Board annually submits a financial statement of condition for the System with the Commissioner of PERAC.

4. DEPOSITS AND INVESTMENTS

Massachusetts General Laws Chapter 32 and PERAC regulations require the 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.

Investment Policy – The investment of the System's funds is the responsibility of the Board. The Board adopted an investment policy statement in February 2011. The investment objective is to purse return and manage risk by adopting a broad-based approach to asset class diversification. The Board believes that applied prudently this plan will provide sufficient flexibility to adapt to changing global investment dynamics and maximize the System's ability to meet its long-term objectives. Furthermore, the investment policy establishes benchmarks by asset class to compare its actual performance against.

The System's investment policy outlines a target allocation for its investments. Boston Advisors, the System's external investment advisor, monitors target allocations and reports these metrics to the Board quarterly. The investment policy requires that asset classes that fall out of compliance with the target allocations must be cured within sixty days.

Effective February 28, 2011, the System's portfolio target weights at the broad asset class level were as follows:

Asset Class	Target Allocation
Equity securities	55%
Fixed income	30%
Non-traditional asset classes	10%
Real estate	5%

The Board updated its investment policy in March 2016. The updated investment policy revised a number of target allocations, particularly between non-traditional assets classes and real estate investments.

Custody of Investments – State Street Bank and Trust is the custodian of the System's investment portfolio. State Street Bank and Trust held the investment securities of the system at December 31, 2015 and provided investment transaction and reporting services for all of 2015.

Investment Management – Boston Advisors provided investment advisory services to the System throughout all of 2015. The System may terminate this service agreement for various reasons including, but not limited to, certain breaches of contract.

Maynard Contributory Retirement System Page 11 of 26

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The 2015 money-weighted rate of return was approximately (0.62)%.

Custodial Credit Risk: Deposits – Deposits are subject to the risk of bank failure. The System may be unable to recover the full amount of its deposits in any one bank institution in the event of a bank failure. The System's policy for custodial credit risk of deposits is to rely on Federal Deposit Insurance Corporation ("FDIC") insurance coverage for the first \$250,000 of deposits held at each financial institution. At December 31, 2015, the System had bank deposits of \$540,107 exposed to custodial credit risk because it was uninsured by the FDIC.

Custodial Credit Risk: Investments – Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The System's policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the System. At December 31, 2015, the System was not exposed to custodial credit risk on its investments.

Interest Rate Risk: Deposits – This is the risk that fair value losses may arise due to increasing interest rates; such risk is reduced by the fact that the System maintains such funds in highly liquid bank accounts; thereby, allowing for timely re-allocation of such holdings should the need arise.

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 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.

Foreign Currency Risk: Deposits and Investments – A risk that fluctuations in exchange rates will adversely affect the fair value of an investment or deposit. The System did not have any securities denominated in foreign currencies at December 31, 2015.

Securities Credit Risk: Investments – In the case of investments, there is the risk that in the event 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 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 System relies on credit ratings assigned by Moody's Investor Services, Inc. and Standard and Poor's Financial Services, LLC. The System does voluntarily self-impose certain investment restrictions; however, those can be changed at the Board's discretion. The System maintains a significant portion (approximately 98%) of its monetary assets as investment holdings.

None of the System's investments were subject to credit quality ratings from leading credit rating agencies. At December 31, 2015, uninsured short-term investment funds with fair values of \$512,323 were reported as cash equivalents. These funds represent temporary holdings of excess cash resources. The 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.

Maynard Contributory Retirement System Page 12 of 26

Concentration of Credit Risk: Investments – The System's investment policy prohibits its ownership of any domestic or international equity holding whose value exceeds 5% of the System's total investment balance. The following investments in Pooled Funds held by the System at December 31, 2015 represent approximately 45.4% of the System's total investments:

PRIT Fixed Income Fund	16.9%
PRIT Real Estate Fund	9.3%
PRIT Hedge Fund	7.6%
PRIT Emerging Markets Fund	6.2%
PRIT Value Added Fixed Income Fund	5.4%

5. FUNDING POLICY

Employee Contributions – Employees whose creditable service began prior to January 1, 1975, contribute 5% of their base salary or wage; those whose service date is subsequent to January 1, 1975, and prior to January 1, 1984, contribute 7%; those whose service date is subsequent to January 1, 1984, and prior to July 1, 1996, contribute 8%, and those whose service date is subsequent to July 1, 1996, contribute 9%. In addition, employees hired on or after January 1, 1979 contribute an additional 2% on earnings in excess of \$30,000.

Employer Contributions (Funding) – Under the provisions of Chapter 32 of Massachusetts General Law, participating employers are assessed their share of the total retirement cost based on independent actuarial study. Significant actuarial assumptions are used to compute the actuarially determined employer contribution requirement.

Employer contributions of \$1,954,700 were made in 2015 in accordance with the funding policy. Employer contributions as a percentage of covered payroll was approximately 21% in 2015.

Cost of Living Adjustment (COLA) – Through 1998, the Massachusetts Legislature was able to grant cost-of-living increases to benefits being paid to retirees. These increases were expressed as a percentage of the retiree's allowance subject to a maximum dollar increase. All COLA's granted from 1982 through June 30, 1998, are reimbursed to the System by the Commonwealth of Massachusetts since the Commonwealth was financially responsible for COLA adjustments during this time frame; any COLA's granted thereafter by the Board are required to be funded by the System directly. A COLA may be approved in excess of the Consumer Price Index, or CPI, but for 2015 is not to exceed 3% annually on the first \$15,000 of a retirement allowance. The System has historically approved a COLA annually, usually at the maximum 3% rate.

The Commonwealth is expected to continue funding the cost-of-living amounts granted to retirees prior to 1998 for the duration of their selected retirement option.

6. ACTUARIAL VALUATION

The System is statutorily required to adopt the funding schedule that will fully amortize the unfunded actuarial accrued liability by June 30, 2040. As of the latest actuarial valuation, the System has selected a funding schedule that fully amortizes the unfunded actuarial accrued liability by June 30, 2032.

Maynard Contributory Retirement System Page 13 of 26

The components of the System's net pension liability at December 31, 2015 (dollar amounts are in thousands) were as follows:

Total pension liability	\$ 52,366
Plan fiduciary net position	 36,725
Net pension liability	\$ 15,641
Plan fiduciary net position as a percentage of	
total pension liability	70.1%

The total pension liability was determined by an actuarial valuation as of January 1, 2015 and updated to roll forward to December 31, 2015. The significant actuarial assumptions used in the January 1, 2015 report were as follows:

Actuarial cost method: Entry age normal

Amortization method: Top appropriation increasing 6.0%

Remaining amortization period: 16 years

Asset valuation method: Actuarial value, 5-year smoothing

Investment rate of return: 7.5% per annum

Projected salary increases: Service based table with ultimate ranges of 4.25%,

4.50% and 4.75% for groups 1, 2 and 4, respectively

Cost of living adjustments: 3% on the first \$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). It is assumed that 55% of preretirement deaths are job-related for group 1 and 2 members and 90% are job-related for group 4 members. For members retired under an Accidental Disability, 40% of deaths are assumed to be from the same cause as the

disability.

Discount Rate – The discount rate used to measure the total pension liability in the January 1, 2015 actuarial valuation report was 7.5%, which was a reduction from the previous discount rate of 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions, the 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.

Maynard Contributory Retirement System Page 14 of 26

Expected Real Rate of Return – The long-term expected rate of return on System investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The System's investment policy sets long-term expected rates of returns using a representative benchmark index for each major asset class in the System's target asset allocation (see the discussion of the System's investment policy in Note 4). The following table summarizes these target benchmarks:

Asset Class	Corresponding Benchmark	
Equity securities:		
Domestic	S&P 500/Russell 2000 blend	
International	MSCI EAFE Index	
Fixed income:		
Domestic	Barclays Capital US Aggregate	
International	Barclays Capital Global Ex-US Index	
Non-traditional asset classes	Appropriate peer group or agreed-upon index	
Real estate	Wilshire REOC or other appropriate benchmark	

Sensitivity Analysis – The following illustrates the net position liability at December 31, 2015 calculated using the current discount rate of 7.5%, as well as the projection of that the net position liability would be if it were calculated using a discount rate that in 1.0% lower (6.5%) and 1.0% higher (8.5%) that the current rate (dollar amounts in thousands):

		Current					
	1%	1% Decrease (6.5%)				1% Increase (8.5%)	
Net pension liability	\$	21,510	\$	15,641	\$	10,666	

7. NET POSITION ASSETS HELD IN TRUST

Net position assets held in trust, as of December 31, 2015, were comprised of the following legally required five funds:

Description	Amount	Purpose
Annuity Savings Fund	\$ 7,836,416	Active members' contribution balance
Annuity Reserve Fund	3,118,814	Retired members' contribution balance
Military Service Fund	29,046	Members' contributions while on military leave
Pension Fund	295,775	Amounts appropriated to fund future retirement
Pension Reserve Fund	25,445,393	Remaining net assets
Total	<u>\$36,725,444</u>	

Maynard Contributory Retirement System Page 15 of 26

8. COMMITMENTS AND CONTINGENCIES

The System is subject to a variety of claims that arise from time to time in the ordinary course of business. Although management of the System currently believes that resolving claims against the System, individually or in aggregate, will not have a material adverse impact on the System's financial position or its results of operations, these matters are subject to inherent uncertainties and management's views of these matters may change in the future.

* * * * * *

Maynard Contributory Retirement System Page 16 of 26

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Maynard, Massachusetts)

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED DECEMBER 31, 2015

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

(Dollar Amounts in Thousands)

	2015		2014
Total pension liability:			
Service cost	\$ 1,442	\$	1,209
Interest	3,618		3,561
Differences between expected and actual experience	(694)		-
Changes of assumptions	2,600		-
Benefit payments, including refunds of member contributions	(2,802)		(2,627)
Net change in total pension liability	4,164		2,143
Total pension liability - beginning of year	 48,202		46,059
Total pension liability - end of year (a)	\$ 52,366	\$	48,202
Plan fiduciary net position:			
Contributions - employer	\$ 1,955	\$	1,847
Contributions - members	904		886
Contributions - nonemployer contributing entities	199		240
Net investment income	(47)		3,211
Benefit payments, including refunds of member contributions	(3,117)		(2,822)
Administrative expenses	(82)		(90)
Other	 		
Net change in plan fiduciary net position	(188)		3,272
Plan fiduciary net position - beginning of year	36,913		33,641
Plan fiduciary net position - end of year (b)	\$ 36,725	\$	36,913
Net pension liability - end of year (a) - (b)	\$ 15,641	<u>\$</u>	11,289
Plan fiduciary net position as a percentage of the total			
pension liability	70.1%		71.5%
Covered-employee payroll	\$ 9,285	\$	7,932
Net pension liability as a percentage of covered-			
employee payroll	168.5%		142.3%

Note: This schedule is presented to illustrate the requirement to show information for 10 years.

However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

Maynard Contributory Retirement System Page 17 of 26

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED DECEMBER 31, 2015

SCHEDULE OF CONTRIBUTIONS

(Dollar Amounts in Thousands)

	:	2015	 2014
Actuarially-determined contribution Contributions in relation to the actuarially-	\$	1,955	\$ 1,865
determined contribution		1,955	 1,865
Contribution deficiency (excess)	\$		\$
Covered-employee payroll	\$	9,285	\$ 7,932
Contribution as a percentage of covered- employee payroll		21.1%	23.5%

SCHEDULE OF INVESTMENT RETURNS

	2015	2014
Annual money-weighted rate of return, net of		
investment expense	-0.62%	10.63%

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

See independent auditors' report.

Maynard Contributory Retirement System Page 18 of 26

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

A. CHANGES OF BENEFIT TERMS

The System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the System's benefit terms in 2015.

B. SIGNIFICANT ACTUARIAL ASSUMPTIONS AND METHODS

The significant actuarial assumptions used in the January 1, 2015 report were as follows:

Actuarial cost method: Entry age normal

Amortization method: Top appropriation increasing 6.0%

Remaining amortization period: 16 years

Asset valuation method: Actuarial value, 5-year smoothing

Investment rate of return: 7.5% per annum

Projected salary increases: Service based table with ultimate ranges of 4.25%,

4.50% and 4.75% for groups 1, 2 and 4, respectively

Cost of living adjustments: 3% on the first \$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). It is assumed that 55% of preretirement deaths are job-related for group 1 and 2 members and 90% are job-related for group 4 members. For members retired under an Accidental Disability, 40% of deaths are assumed to be from the same cause as the

disability.

C. CHANGES OF ASSUMPTIONS

In 2015, the System adopted a new actuarial assumption for its discount rate. The discount rate decreased from 7.75% to 7.50%. In addition, the mortality rates for pre-retirement, post-retirement and disabilities were modified.

Maynard Contributory Retirement System Page 19 of 26 Basic Annual Financial Statement



ROSELLI, CLARK & ASSOCIATES CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Maynard Retirement Board Maynard Contributory Retirement System Maynard, Massachusetts

We have audited, 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, the financial statements of the Maynard Contributory Retirement System (the "System"), a component unit of the Town of Maynard, Massachusetts, as of and for the year ended December 31, 2015, and the related notes to the financial statements which collectively comprise the System's basic financial statements and have issued our report thereon dated September 1, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Maynard Contributory Retirement System Page 20 of 26

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rosellí, Clark & Associates

Roselli, Clark & Associates Certified Public Accountants Woburn, Massachusetts September 1, 2016



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To the Maynard Retirement Board Maynard Contributory Retirement System Maynard, Massachusetts

We have audited the accompanying schedule of employer allocations of the Maynard Contributory Retirement System (the "System"), a component unit of the Town of Maynard, Massachusetts, as of and for the year ended December 31, 2015. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources and total pension expense (specified column totals) included in the accompanying schedule of pension amounts by employer of the System as of and for the year ended December 31, 2015, and the related notes thereto.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these schedules 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 the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer 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 Audit 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 schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer, 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 schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer 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 schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer.

Maynard Contributory Retirement System Page 22 of 26

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 schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities of the System as of and for the year ended December 31, 2015, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the System as of and for the year ended December 31, 2015, and our report thereon, dated September 1, 2016, expressed an unmodified opinion on those financial statements.

Rosellí, Clark & Associates

Roselli, Clark & Associates Certified Public Accountants Woburn, Massachusetts September 1, 2016

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Maynard, Massachusetts)

SCHEDULE OF EMPLOYER ALLOCATIONS FOR THE YEAR ENDED DECEMBER 31, 2015

(Dollar Amounts in Thousands)

Employer	Actu Emplo Contribu	yer	Employer Allocation Percentage
Town of Maynard Maynard Housing Authority	\$	1,900 55	97.2% 2.8%
Total	\$	1,955	100.0%

See notes to schedule of employer allocations and schedule of pension amounts by employer.

MAYNDARD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Maynard, Massachusetts)

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER FOR THE YEAR ENDED DECEMBER 31, 2015

(Dollar Amounts in Thousands)			M	1		
	77			aynard		
	_	own of		Housing		m . 1
	N	[aynard	Au	thority		Total
Net pension liability	\$	15,203	\$	438	\$	15,641
Deferred outflows of resources:						
Differences between expected and actual experience	\$	_	\$	_	\$	_
Difference between projected and actual investment						
earnings on pension plan investments		1,844		52		1,896
Changes of assumptions		2,084		60		2,144
Changes in proportion and differences between employer						
contributions and proportionate share of contributions		9				9
Total deferred outflows of resources	\$	3,937	\$	112	\$	4,049
Deferred inflows of resources:						
Differences between expected and actual experience	\$	556	\$	16	\$	572
Difference between projected and actual investment						
earnings on pension plan investments		-		-		-
Changes of assumptions Changes in proportion and differences between employer		-		-		-
contributions and proportionate share of contributions		_		9		9
Total deferred inflows of resources	\$	556	\$	25	\$	581
Total deferred fillions of recoulded	φ	330	Ф		D.	361
Pension expense (income):						
Proportionate share of plan pension expense Net amortization of deferred amounts from changes in	\$	2,340	\$	67	\$	2,407
proportion and differences between employer contributions and proportionate share of contributions		~		(2)		
1 1		2		(2)		
Total employer pension expense	\$	2,342	\$	65	\$	2,407

See notes to schedule of employer allocations and schedule of pension amounts by employer.

Maynard Contributory Retirement System Page 25 of 26

NOTES TO PENSION PLAN SCHEDULES AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

A. INTRODUCTION

GASB Statement No, 68, Accounting and Financial Reporting for Pensions, establishes financial reporting requirements for governments that provide employees with pension benefits. GASB 68 requires employers to recognize a net pension liability or net pension asset as employees earn pension benefits. Employers participating in the Maynard Contributory Retirement System (the "Retirement System") will recognize their proportionate share of the collective pension amounts for all benefits provided by the Retirement System.

B. METHOD OF PROPORTIONATE SHARE ALLOCATION

The basis for the proportionate share allocation by employer as found in the Schedule of Employer Allocations and Schedule of Pension Amounts by Employer is consistent with the manner in which employer contributions to the Retirement System are determined. The net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense is based upon actual historical employer contributions to the Retirement System from the census data submitted to the Retirement System for pay periods ending December 31, 2015.

C. EXPECTED FUTURE AMORTIZATION OF DEFERRED BALANCES

The following table summarizes the expected amortization of the deferred outflows of resources and inflows of resources into pension expense.

	2	016	2017 2018		2019		2020		Total			
	(Dollar Amounts are in Thousands)											
Town of Maynard												
Difference between expected and actual experience	\$	(118)	\$	(118)	\$	(118)	\$	(118)	\$	(83)	\$	(555)
Difference between projected and actual investment												
earnings on pension plan investments, net		432		432		432		547		-		1,843
Changes of assumptions		443		443		443		443		311		2,083
Net effect of change in proportion of beginning reported balances		2		2		2		2		1		9
Maynard Housing Authority												
Difference between expected and actual experience		(4)		(4)		(4)		(3)		(2)		(17)
Difference between projected and actual investment												
earnings on pension plan investments, net		13		13		12		15		-		53
Changes of assumptions		13		13		13		13		9		61
Net effect of change in proportion of beginning reported balances		(2)		(2)		(2)		(2)		(1)		(9)
<u>Total</u>												
Difference between expected and actual experience		(122)		(122)		(122)		(121)		(85)		(572)
Difference between projected and actual investment												
earnings on pension plan investments, net		445		445		444		562		-		1,896
Changes of assumptions		456		456		456		456		320		2,144
Net effect of change in proportion of beginning reported balances		-		-		-		-		-		-

Maynard Contributory Retirement System Page 26 of 26

